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THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

MARCH 1961

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Professional Notes

The Chancellor's Opportunity

WITH SOME OF the final figures still lacking, the Chancellor of the Exchequer is now face to face with the problem of producing his first budget. It is an unenviable task. Recent experience has shown that purely monetary policy can have substantial short-term effects; but fiscal means are still those proper to the longer term and more fundamental direction of the economy into a safe path.

Even the arithmetic of the position is not yet clear, but the Chancellor has to cover some £280 million more for civil and defence expenditure than the original figure of a year ago, while it would be optimistic to suppose that the Consolidated Fund services and below-the-line outgoings will be sufficiently reduced on balance to provide much help. However, against this rise he has in hand something like £100 million from the net effect of the

changes in national insurance and the health service. He can also count on something like £40 million from the partial maturing of last year's rise in profits tax, offset to some extent by the effects of the 1959 restoration of investment allowances. In the absence of any indications of possible buoyancy of the revenue it certainly does not appear on the figures that the Chancellor will have anything much to give away.

But mere arithmetic is a poor guide to a final decision on this matter, which must take into account the general condition of the economy and, to some extent, external opinion on the soundness of the currency. In these matters conditions change from week to week. Externally the revaluation of the mark has put a strain on sterling; we no longer have such protection as an influx of short money affords. Internally the economy is nearer to full

employment than it was a few weeks ago, or than seemed probable then. Some stimulus is still needed, but a stimulus less to consumption than to increased investment and a rise in production—if possible at lower costs.

This is clearly not a year when the Chancellor can gain easy popularity by large tax cuts. But with the economy nearly in balance he can seize the opportunity to make some at least of those adjustments in the tax structure which have been urged upon successive holders of the office for more than a decade. A number of the more useful—and perhaps less expensive—changes were set out on page 9 of ACCOUNTANCY for January of this year. There are others—perhaps more expensive in the first instance—which seem to be called for to stimulate effort and to remove anomalies as between individuals: anomalies which are felt to be both unjust and frustrating. For instance, the wording of the expenses rule under Schedule E should be revised; there seems to be no logical justification for some differences in the allowances for expenses permitted to individuals following different professions; the effects of the very steep grading of income tax and surtax can be very discouraging to additional effort; and even the differential taxation of income from saving would bear investigation. In the whole matter of taxation this country needs a new look, and this is the time to start acquiring it and to make at least the first move towards a simpler and more fruitful distribution of the burdens.

Alexander Dalrymple Walker, J.P., F.C.A.

MEMBERS WILL HAVE learnt with deep regret of the death of Mr. A. D. Walker on February 19 at the age of sixty-three, after a lifetime of service to his profession and to his fellow men.

Mr. Walker was the senior partner in the firm of W. H. Walker & Co., Chartered Accountants, of Liverpool, London and Douglas, Isle of Man. He was also a partner in the firms of E. C. Price, Son and Reid, and Slade, Lewis and Slade, of Stanmore,

Middlesex, and London.

"Sandie" Walker, as he was known to a large circle of friends, was the pattern of the well rounded man. His exceptionally wide interests included football in his youth, sailing, stamps, gardening, writing and a fine collection of maps of the Isle of Man, where he had an estate (he played a large part in the formation of the Isle of Man branch of the Liverpool Society of Chartered Accountants in 1958). For thirty-five years he had been a member—and for many years chairman—of the committee of the Liverpool Boys' Association. He had served in both wars, becoming a staff colonel at SHAEF in the second, and the welfare of the ex-serviceman was always close to his heart.

After serving articles with his father, who had founded the firm, Mr. Walker became an associate of the Institute in 1922 and a fellow five years later. He had been a member of the Council of the Institute since 1948 and had served on many of its committees; at his death he was chairman of the District Societies Committee, vice-chairman of the Disciplinary Committee, and a member of the General Purposes, Examination, and Library Committees. He was a past President of the Liverpool Society of Chartered Accountants.

The Institute offers its sympathy to his family and partners.

Cheaper Banking?

AS FORECAST ON page 65 of last month's issue of ACCOUNTANCY, the Scottish banks have now announced their adoption of the third stage of the scheme of credit transfers for all. The scheme will operate very much on the same lines as that of the London clearing banks, but the one difference results from the method of covering costs of keeping accounts north of the border. For many years the Scots have maintained a scale of charges for keeping current accounts, whereas in England banks have charged on the principle of what the traffic will bear. The Scottish charges for credit transfer will be those adopted in England, which are less than the Scots charge on cheques. The Scottish banks have,

therefore, decided to abolish the charge on sums paid into accounts (lodgments) and to reduce from ninepence to sixpence the charge on cheques drawn. The minimum charge for maintaining a current account, hitherto 12s. 6d. a half-year, has been abolished, and the offsetting allowance on minimum credit balances will be sixpence a month for each £100. These rates apply to personal accounts, most commercial accounts being costed individually, much as in England. It looks as if the Scots will get their banking facilities rather more cheaply, and the question arises whether the English banks will go part of the way in the same direction for personal accounts. Two of the London clearing banks already have a scale of standardised charges for "limited service" accounts.

Absence from Work

MORE THAN one million people, on average, are absent from work in Great Britain every day. The rate for women (excluding accidents) is 56 per cent. higher than for men. Absence rates of course vary with the season, being at their peak in February and at their lowest during the summer. The length of the working week also has its influence, the absence rate of women on a five and a half day week being 20 per cent. higher than for those working only five days. Locality also plays a part. Absenteeism of women working in London and the south-east is considerably higher, for instance, than anywhere else in the country.

All this information is contained in a booklet entitled *Absence from Work—Incidence, Cost and Control* recently published by the British Institute of Management, price 10s. 6d. Probably of greatest interest to accountants is Section 2, which considers the "Cost of Absence." Studies showed that over a three-month period the cost per manual employee ranged from 5s. in one department of one company to no less than £28 18s. in one department of another. Eleven B.I.M. studies have been made, and in ten cases the cost of absence was adding 3s. or more to the weekly cost of each individual.

Accountants will be interested also in the final section, which discusses the steps that can be taken to reduce absence rates. This is a part of cost reduction and control which has until comparatively recently received little attention.

Royal Commission on the Press

THE APPOINTMENT OF Lord Shawcross as Chairman of the Royal Commission on the Press was announced by the Prime Minister on February 28. The Commission is to have only four other members, one of whom is Professor Robert Browning, C.B.E., M.A., LL.B., C.A.

Professor Browning, Professor of Accountancy at Glasgow University since 1950, received the C.B.E. in the New Year Honours List. He is senior partner in the firm of John E. Watson & Co., Chartered Accountants, of Glasgow, and Chairman of the East Kilbride Development Corporation.

The Commission's terms of reference include the examination of the economic and financial factors affecting the production and sale of newspapers, magazines and other periodicals in the United Kingdom, including manufacturing, printing, distribution and other costs; efficiency of production; and advertising and other revenue, including any revenue derived from interests in television. It is required to consider whether these factors tend to diminish diversity of ownership and control, or the number and variety of such publications, and to have regard to the importance, in the public interest, of the accurate presentation of news and the free expression of opinion; and to report thereon.

Disqualification as Company Director

SECTION 188 (1) of the Companies Act, 1948, provides that where

(a) a person is convicted on indictment of any offence in connection with the promotion, formation or management of a company . . . the Court may make an order that that person shall not, without the leave of the Court, be a director of or in any way, whether directly or indirectly, be concerned or take part in the management of a company for such

period not exceeding five years as may be specified in the order.

In *R. v. Bradley* [1961] 1 W.L.R. 398 the appellant pleaded guilty to offences of fraudulent trading and fraudulent conversion and was sentenced to six years' imprisonment. An order was also made under Section 188 of the Act of 1948 disqualifying him from being a director of a company for a period of five years commencing on the day of his discharge from prison.

In the Court of Criminal Appeal, Lord Parker, C.J., said counsel for the Crown had admitted that he could not support the dating of the order. It seemed that, in principle, unless a statute contained express words to the contrary (which Section 188 does not), a disqualification had to date from the date of conviction, and the order under the Section must be varied accordingly. Section 188 (1) (b) relates to offences committed in the course of winding up a company, and it is clear that the same principle also applies to the dating of an order in respect of such offences.

Decimalisation

IN THE FEBRUARY issue of ACCOUNTANCY (pages 59 and 76-77) it was reported that the Council of The Institute of Chartered Accountants in England and Wales had submitted recommendations on the decimalisation of the currency based on a "ten shilling/cent" system.

On February 14 South Africa changed over from a pounds, shillings and pence system to one employing a new unit of currency, the Rand (pronounced "rant") and cents; the Rand being equivalent to ten shillings, with 100 cents to the Rand. Coins will be $\frac{1}{2}$ cent, 1 cent, 2 $\frac{1}{2}$ cents, 5 cents, 10 cents, 20 cents, and 50 cents; equivalent to $\frac{3}{4}$ d., 1 $\frac{1}{4}$ d., 3d., 6d., 1s., 2s., and 5s. Notes are being issued in the following denominations: R1 (equivalent to 10s.), R2 (£1), R10 (£5) and R20 (£10).

It is estimated that there are almost 200,000 accounting machines and cash registers which will require modification, that decimalisation will take 15-20 months to complete and that it will cost the South African

taxpayer about £7 million in compensation payments.

There has been no abatement in public interest in this country. On February 16, in answer to a written question by Mr. du Cann, Mr. Anthony Barber, the Economic Secretary to the Treasury, recognised that "This is a very important matter which requires and is receiving the fullest consideration by the Government." He hoped to make a statement later in the year. On February 25 it was reported that the Federation of British Industries had written to the Board of Trade urging that Britain should adopt decimal coinage and suggesting that this would be an essential step towards the use of the metric system of weights and measures. The Federation also expressed its belief that those countries still employing the "imperial system" would soon follow South Africa's example and change to a decimal system.

Systems of Measurement

POLITICAL AND ECONOMIC PLANNING (P.E.P.) has taken advantage of what it calls the "landslide towards decimalisation" taking place in the Commonwealth to pursue the question of a general adoption by this country of the metric system, including a decimal currency. The P.E.P. brochure, *Systems of Measurement*, sets out past efforts at reform, and the present world position in this matter, and rejects as inadequate the infiltration of metric measures in some sectors of industry in countries basically non-metric and the retention of non-metric measures in countries legally tied to a metric system. It agrees almost verbatim with the view of The Institute of Chartered Accountants in England and Wales in its recent memorandum to the Chancellor of the Exchequer.

P. D. Leake Research Fellowship

THE P. D. LEAKE TRUST, founded under the will of the late P. D. Leake, F.C.A., invites applicants for a P. D. Leake Research Fellowship. An announcement appears in our advertisement pages.

The Fellowship will be for one

year beginning in October, 1961, and it may be held in one of three Universities—Birmingham, London, or Oxford. Accountants who are members of United Kingdom accountancy bodies recognised for the purposes of U.K. company law are eligible.

The object of the Fellowship is to provide university facilities for research in subjects with which the accountancy profession is directly concerned, within the charitable object of the Trust, namely: "to benefit and advance the sciences of accounting and of political economy, including the subject of public finance and taxation."

The first grants from the Trust were for the academic year 1957/58 to Mr. A. A. Pakenham-Walsh, M.A., F.A.C.C.A., in the University of Oxford, and Mr. L. Wilk, D.F.C., M.A., F.C.A., in the University of Birmingham, to conduct research into "Management Accounting in the Service of Agriculture" and "Accounting for Inflation," respectively. Mr. Wilk's book, "Accounting for Inflation," published by Sweet and Maxwell Ltd., represents the result of his researches. No appointments were made for the years 1958/59 and 1959/60, but Miss D. M. Livock, M.A., F.C.A., was appointed a P. D. Leake Research Fellow in the University of Oxford on a part-time basis for the two academic years 1960/62 and she is conducting research into "The Financial History of a Town."

The emoluments of the Fellowship are £2,000. The Fellow will be required to do full-time research; opportunities will be afforded to him to take a part in teaching or seminar work.

Further particulars may be obtained from the Secretary, The London School of Economics, Houghton Street, London, W.C.2, to whom applications should be sent by April 30, 1961.

Germany Revalues

AFTER WHAT SEEMED to many a very long delay, the Government of Western Germany decided to revalue the mark by writing it up by 4.76 per cent. on March 4. The delay is intelligible. After two major infla-

tions the German people are very sensitive about any action affecting the currency. They tend to argue that if it can be written up it can be written down, and that is something they would resist. Further, the German industrialist has been organised to oppose anything that would increase the cost of his exports. However, the step has now been taken, and the question that occupies those outside Germany is whether so small a rise will suffice to bring the German economy into line with the requirements of the situation. Only time can say.

The German measure was followed immediately by a similar revaluation of the Dutch guilder. In view of the dominant part that trade with Western Germany plays in the Dutch economy, this step was almost a foregone conclusion. But in announcing the decision the German finance minister stated both that the Dutch action was to be expected and that no other country would, in his view, revalue. This was probably not purely crystal-gazing, but opinion in other countries may of course change as the full effects of the German measure become apparent.

With these and other uncertainties as a background, it is not surprising that foreign exchange markets were hesitant. Had all been clear a reflux of those balances placed in German currency might have been expected, in order to take advantage of a possible revaluation and strengthening of the dollar—if only because Germany might be expected to import more and export less. The fortunes of this and other countries in the export markets would be similarly affected, and, other things being equal, the United Kingdom balance of payments on current account might improve. There is no reason why this last should not happen in the long run.

As to the dollar, its position has no doubt been improved, but as against gold it is, at the time of writing, held in rather lower esteem than before the revaluation. Meanwhile, balances have not flowed back from Germany to a great extent and will not do so until hopes of further revaluation are abandoned. Expectation of other re-

valuations has attracted balances to the countries concerned, mainly Switzerland and Italy, with France participating to some extent.

Since sterling was the main beneficiary from the weakness of the dollar it is now the main sufferer from the complex of forces described. After a short period of dislocation in the market, sterling lost value against most major currencies, for both spot and forward transactions. This effect, it must be hoped, will prove to be short-lived. So far at least, there is little evidence of any sales of short-dated sterling securities, but in some cases maturing Treasury bills have not been renewed. This may be because the strain has been partly taken for the moment by the floating sterling balances in Europe. At least the rate for borrowing this so-called Euro-sterling showed a material rise in the early days after revaluation of the mark. The German measure has no doubt accelerated the return flow of balances attracted to this country under the combined influence of differentially high short-term rates and distrust of the dollar. What must now be ensured is that this country takes full advantage of its improved competitive position as against Western Germany and Holland.

Grants to Students

IN A WRITTEN answer to a question in the House last month Sir David Eccles, Minister of Education, gave further particulars of the new scale of parental contributions to the cost of education of students in universities and comparable institutions (see page 2 of the January issue of ACCOUNTANCY) which is to come into force on October 1, 1961. Sir David explained that, in place of the contributions now demanded of 14 per cent. of balance of income in excess of £450 in England and Wales, the revised scale will be 8 per cent. on the excess over £600 up to £1,400 and 10 per cent. thereafter. The balance of income will be determined on present lines, but the maximum allowance for each dependent child other than the award-holder will be raised from £170 to £200, and the additional allowance for actual edu-

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cational expenses incurred in respect of these other children is to be increased from the present maximum of £180 to £200. The minimum grant of £50 will normally be paid irrespective of parental income.

Contributions are based on balance of income after allowances for such items as superannuation contributions, life assurance premiums and mortgage interest. For the purposes of the table given below these allowances are assumed to amount to 5 per cent. of the gross income. Figures for incomes below £800 and for present contributions in Scotland have been excluded from the table, as have those of balance of income. The table refers to the case of an only child at university.

Gross Income	Present contribution	Revised contribution	Value of tax allowance
£	£	£	£
800	43	13	46
900	57	20	52
1,000	70	28	57
1,100	83	36	58
1,200	96	43	58
1,300	110	51	58
1,400	123	58	58
1,500	136	66	58
1,600	149	76	58
1,700	163	85	58
1,800	176	95	58
1,900	190	104	58
2,000	203	114	58
2,500	269	161	73
3,000	336	209	77
3,500	403	256	84
4,000	*	304	84
5,000	*	399	92

* Full cost

It will be seen that the contributions required will be less than the value to the parents of the income tax child allowances if their gross income is under £1,400.

Productivity in the City Office

THE PROCEEDINGS OF the conference "Productivity in the City Office—an Aid to Commerce," held by the Central London Productivity Association in January, are now available in booklet form (price 10s. from Mr. R. Walker, O. & M. Division, H.M. Treasury, London, S.W.1). The conference covered: The Simplification of Export Documentation; Cutting Out Paper Work; The Smaller Office: Inexpensive Aids to Efficiency; and The Office as a Work Place.

The booklet contains a great deal of sound advice in its thirty pages. The contributions are forceful and obviously based on wide practical

experience. Mr. P. W. Ricardo, writing on export documentation, says: "I want to impress upon you not only the need for change—that is becoming accepted—but the need for speed in making these changes. Our administrative machinery is not keeping up with the very fast rate of technical change in the world today. The reaction time of management must shorten." His specialist knowledge is apparent when he turns to shipping documents and the possibilities for reducing stationery and clerical costs—matters which should be, but are not always, considered by accountants.

A later contributor, Mr. G. A. E. Young, spoke of having visited recently offices where "people are working just as if Dickens were still alive" and some that had "ceased to be a work place and (had) become a labour camp." He stressed that the standards to be laid down under the Offices Act should be treated as the minimum and not as the ideal at which to aim, but warned that the creation of a good environment would not solve all staff problems. Changes are not difficult to make once the basic attitude of lethargy is overcome. As the advisers of business upon its costs and efficiency, accountants should be in the forefront of this drive towards improved conditions for clerical workers.

Summer Courses, 1961

MEMBERS OF The Institute of Chartered Accountants in England and Wales are reminded that the closing date for applications to attend the summer courses to be held at Christ Church, Oxford, next July and at Gonville and Caius College, Cambridge, next September is April 15.

As stated in our February issue (page 64), the Oxford course commences on the afternoon of Thursday, July 13, dispersing on Tuesday, July 18, and the Cambridge course commences on the afternoon of Wednesday, September 13, and disperses on Sunday, September 17. The titles and authors of the addresses to be given at the courses were published in last month's issue of ACCOUNTANCY.

Group discussions and free ex-

change of views and experience will form an essential feature of the courses, and the programmes will provide for recreation and social activities.

Application forms have been sent to members.

Pensions

COLLECTION OF THE new graduated contributions under the National Insurance Acts commences on the first pay day after April 6, 1961. In general, all men and women over the age of 18 who are employed (and thus pay Class 1 contributions) and who have earnings above £9 in any week and are not contracted out as members of approved occupational pension schemes will be liable. This includes married women and those who have reached the minimum pension age (65 for men and 60 for women) but not retired, provided they are under the age of 70 (or 65 in the case of women).

The revised flat-rate contribution, which includes the Industrial Injuries contribution, will be as follows:

	Men	Women
	s. d.	s. d.
Employee	9 9	8 0
Employer	8 5	7 2
	<hr/> 18 2	<hr/> 15 2

The graduated contributions are zero for wages of £9 or less per week, and rise by approximately 10d. in the £, to a maximum of 5s. 1d. with wages of £15 or more per week, being the same for women as for men. They are of course additional to the flat-rate contribution.

Full details of the new scheme are contained in the Ministry of Pensions and National Insurance leaflet N.I. 111.

On April 3, 1961, retirement pensions will be increased as follows:

Insured man or woman 57s. 6d.
(from 50s. 0d.)

Wife 35s. 0d. (from 30s. 0d.)

and increases will also take place in the additions for children, the widow's allowance, widowed mother's allowance, widowed mother's personal allowance and widow's pension. Details of the changes are to be found in the

Ministry of Pensions and National Insurance leaflet N.I. 118.

P.A.Y.E. Simplified

A TAX SLIDE which it is claimed reduces the time taken by the P.A.Y.E. procedure from approximately two minutes per week per employee to no more than thirty seconds in three weeks out of every four, and provides an overall saving of 50 per cent., has been placed on the market by Skirden Products Ltd., 25 Buckingham Gate, London, S.W.1, at 30s. This claim does not appear to exaggerate the speed of the device, since a trial run with an inexperienced operator gave a result at least four times as favourable to the slide.

The "Clayton P.A.Y.E. Tax Slide" is the invention of Mr. Jack Clayton, F.C.A., a member of the Council of the Institute, who has had a considerable interest in the P.A.Y.E. system since its inception and who claims to be responsible for the introduction of the modified procedure outlined on page 21 of the Employer's Guide upon which the tax slide system is based.

The tax slide also shows the deductions required by the new graduated insurance scheme. Should the 1961/62 Budget make any change in rates of income tax, it will be necessary to employ a new centre slider, which it is understood will be supplied to purchasers free of charge.

"Every Man an Investor"

"THE GOVERNMENT, to my mind, has not been as anxious as it could have been to simplify the procedure involved in investment. Investment in this country is incredibly complicated and the small man, seeing the sweet simplicity of the building societies, premium bonds and national savings, is inclined to think that he can fill in his football pools but he cannot manage stock exchange investment business." These views were expressed by Mr. Harold Wincott, Editor-in-Chief of the *Investors Chronicle*, in an address to the London and District Society of Chartered Accountants, given in the Oak Hall of the Institute on February 28.

His view was that "if a woman plays a good hand at bridge, the odds are she will make a good investor."

The type of savings most needed, he said, was the steady periodic type, and he wondered whether there was not scope for co-operation between the unit trust movement, the record of which on the whole was good, and the industrial life offices. He envisaged a day when one collector might receive not only a few shillings a week on a life policy but 1s. a week for a unit trust: the industrial life offices had the overheads there already. This type of co-operative combination of effort appears possible in many other spheres, but lacks pioneers.

Mr. Wincott thought that a capital gains tax should be avoided, since it was not logical to encourage new investors and then to tax them on their capital gains. Income itself should be re-defined for taxation purposes. One major gap in the British taxation system is that it nowhere defines "income," despite the central feature which is called an income tax.

Radical Changes in Office Conditions

MR. R. W. COX, personnel manager of Crosse and Blackwell Ltd., addressing the annual conference on March 8 of the London Branch of the Institute of Office Management, stressed the need for an overhaul of methods of recruitment, selection and promotion of staff. He suggested that interviewing techniques of the kind which lasted ten minutes and were followed by "we will write to you . . ." before appointment would be superseded. Instead, short-listed candidates would spend four or five days in the organisation, at an agreed fee, before the appointment to a responsible position was made.

There was, he said, a growing need for shift work in offices. Heavy capital expenditure was involved in computer and other mechanical installations, and it was important to obtain the maximum use from such machines.

Whilst most accountants are well aware of the cost savings brought about by shift-working in the factory and see it as a means of increasing

production without the tying up of additional capital in fixed assets, the suggestion that it should be applied to their own departments might not prove so readily acceptable.

An earlier speaker, Mr. D. M. Preston, the B.B.C.'s senior assistant for computer research, said in the traditional technical talk that the introduction of fully-transistorised "solid state" computers would mean a cheaper, faster and smaller machine which would obviate the difficulties at present inherent in the "first generation" computers. With the advent of the "second generation" computers, the computer specialist—as opposed to the man or woman trained in data processing—would gradually leave the operational field and return to his proper function of design and construction.

Municipal and General Assurance Plan

AT THE BEGINNING of the month the oldest of the unit trust management groups, M. & G., announced a scheme to combine investment in units with the provision of life cover. It is not the first such plan (one was dealt with on page 323 of ACCOUNTANCY for June last), but its sponsors claim special merits for it. From the start of an assurance policy, the premiums are invested in M. & G. units, as is the income accruing from the holding. As the units build up, the holder is given a decreasing cash cover under a reinsurance contract with the London Life Association, and this goes to the beneficiary, together with the units accumulated, in the event of death of the holder during the term of insurance. At the termination of the policy the units become his property. Obviously there is an element of speculation here, as in any investment in anything but dated fixed-interest stocks. But it is claimed that the costs are low because there are no payments to agents; units can be sold or transferred to the insurance company to pay up the policy rather than face sacrifices on early surrender; and the premiums rank for income tax relief in the ordinary way, while no surtax is payable on the income from units, since it is reinvested.



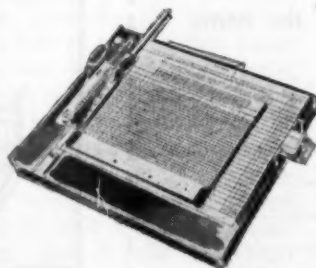
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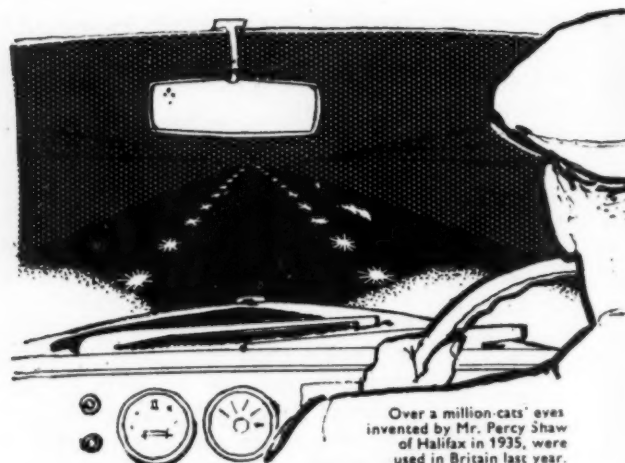
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Leasing Capital Equipment

GROWTH OF MECHANISATION in industry, coupled with rapid changes making for early obsolescence of plant, creates a special set of problems. When the equipment is very complex the question of training specialised staff adds to these. Often, notably in the special instance of computers, the maker supplies the equipment on hire, including the provision, for a limited period, of personnel to operate it. A recent development in this country is the general leasing of plant and equipment by a finance company. The pioneer here was Mercantile Credit, quickly followed by Astley Industrial Trust, with roots going back to the old-established business of wagon finance. The practice of leasing plant is well established in North America, and it is claimed for it that there is usually a long-term saving in overall cost as against outright purchase.

A decision on whether this alternative is preferable to raising capital involves a large number of considerations, not least of which are questions of depreciation, initial and investment allowances and changes in them, and terms on which plant can be purchased after an initial period. Experience suggests that the expedient is especially useful in public works contracting and civil engineering. The two companies are to be congratulated upon providing a means, new in this country, of using financial resources more efficiently.

Assistant Editor of Accountancy

MR. GEOFFREY A. HOLMES, F.C.A., has been appointed Assistant Editor of ACCOUNTANCY as from March 1, 1961. Mr. Holmes, who for the past five years was the director of studies responsible for accountancy subjects at the Metropolitan College, St. Albans, is co-author of a recently produced textbook on cost accountancy and has revised and edited a number of standard works on accounting, income tax, auditing and executorship. He may be said to be a member of an accounting family, since his father, two uncles and his wife's father are all fellows of the Institute.

Shorter Notes

Portrait of H.M. the Queen

Mr. W. L. Barrows, LL.D., F.C.A., a past-President, has presented to The Institute of Chartered Accountants in England and Wales one of *The Times* mezzotint engravings of Annigoni's portrait of Her Majesty the Queen, which has now been framed and hung in the Library Reference Room. A fine reproduction of a famous portrait, this is a valuable gift which will be appreciated by the many members now using this room every day.

More Decimal Measurement

While the Government can do no better than hope to make a statement on a decimal currency later this year, the adoption of metric measures continues to spread in British industry. The latest example is the decision of Pilkington Brothers Limited of St. Helens, virtually the only company making flat glass in the country, to adopt the decimal system of measurement for the whole of its export trade. The company has long used the metric system in dealing with those countries in which it is current, and will now use it also where British measures are still employed. For the assistance of customers a revised edition of the *Glass Dealers Ready Reckoner*, which has been in general use for fifty years, will be issued to customers throughout the world. This decision by a company of very considerable importance in the export trade is a clear indication of the course it thinks developments will take in the Commonwealth and other areas within the British sphere of influence.

Easing Export Finance

A step calculated to facilitate the provision of credit for exports and, incidentally, to improve the liquidity of the clearing banks at this difficult season of the year, was taken by the Bank of England last month. This gave re-finance facilities to a proportion of medium-term export credits provided by the banks. On a five-year export credit covered by Export Credits Guarantee Department insurance the banks are prepared to lend so long as their liquid position is not impaired. Effectively, when a credit has run for three years, each instalment of repayment will be available for re-finance eighteen months before its due date. With the new facility the banks are able to regard 30 per cent. of their credit as a liquid asset. Since this is the minimum

liquidity ratio which they maintain, such advances will impose no strain on their liquidity position. In the mid-February return of the London clearing banks these "re-financeable credits" have been included under bills, and not under advances as in the past; this, with the injection of Ford money, permitted the banks to show a liquidity ratio of 31.1 per cent. Not a large margin over the minimum.

Tied Petrol Stations

Many agreements covering the tied petrol station—agreements which have been a feature of the retail petroleum industry for some five years—are now at the renewal stage, and many more will be coming up within the next year. The distribution by the Motor Accessories Manufacturers Association Ltd. on March 18, to all members of The Institute of Chartered Accountants in England and Wales, of a booklet entitled *Petrol Company Exclusive Supply Agreements in the United Kingdom* is thus most opportune. This is a most useful booklet for accountants with clients in the retail garage trade.

More Surtax Figures

In reply to a further question to the Chancellor of the Exchequer Sir Edward Boyle gave figures of the growth of surtax payments as shown in the following table. The increase in numbers in recent years is largely due to increases in earned incomes.

Year	Number paying	Exchequer receipt £ million
1922/23	90,000	64
1929/30	110,000	56
1937/38	107,000	57
1949/50	230,000	115
1960/61	430,000	190*

*Budget estimate.

College-trained Certified Public Accountants

A survey conducted by *Vocationally Speaking*, the organ of the New York Personnel and Guidance Association, states that statistics obtained from the American Institute of Certified Public Accountants show that in recent years 90 to 95 per cent. of successful candidates for its qualifying examination have been college-trained. The United States has a nation-wide uniform C.P.A. examination conducted by the American Institute, which recommends that candidates should have a college degree with a major in accounting. It strongly approves a year of graduate study.

EDITORIAL

Restrictive Practices Court—an Assessment

SINCE 1948 we in this country have approached agreements restraining competition on the basis that some are in the public interest and others are not. The problems involved in this approach are where and how and by whom the line between good and bad is to be drawn, with the drawing of the line affecting, as it usually must, the fortunes of industries and individual concerns. In the Restrictive Practices Act, 1956, Parliament formulated a set of public interest criteria in rather general terms. The Court has had to interpret these statutory criteria and apply them to each agreement after determination of its economic effects and implications. These are intricate and onerous tasks; but the Court has dealt with them in a manner which has earned widespread respect, despite some criticism of the effects of the procedure imposed on it. One suspects, however, that the Government would not lightly wish to revert to the situation before the Act, though a review of the present procedure and of the expense of fighting an action may be desirable.

Three specific weaknesses of the judicial process may be mentioned. First, probably because the decisions are judicial decisions, they seem to have provoked less public discussion and dissection than was the case before 1956, when the assessments were made by a non-judicial body, the Monopolies Commission, and action was taken by the Government. This is a pity, because controversial decisions with a public policy content *ought* to be discussed, and not only in legal circles. Second, it is unlikely that the contributions of expert witnesses such as accountants and economists are most effective when they are made on one side or the other in a courtroom conflict. Third, since the Court has to decide, basically, whether an agreement is good or bad, it has very limited opportunity to explore whether the public interest might be best served not by the continuation of the agreement or by its removal, but by some other type of restriction or, perhaps, by some form of official intervention or control.

But these are not the characteristics of our present arrangements which have attracted criticism. The most common criticism has been that the Act of 1956 draws the line dividing good and bad agreements in the wrong place, so that some worthwhile agreements have no chance of successful defence. The "gateways" of justification are said to be too strait and narrow, so that even wholesome and worthy agreements must fail to reach the haven of the Court's approbation. From this may arise the unfortunate impression that the Registrar is cast in the role of prosecutor. This criticism, of course, concerns the very objectives of public policy. Those who say that the gate-

ways are too restrictive may be sure that there are others who say that some of the gateways should be sealed up altogether. The defence that an industry's agreement furnishes substantial and specific advantages or benefits to its customers is something of a catch-all. How capacious it in fact proves to be depends upon the interpretation given to it by the Court. In this area the Court has had to stake out its own guideposts. On the whole, it seems as if in its first twelve decisions the Court has been considerably less severe than it might have been. It is certainly unlikely that its predecessor would have been less severe.

In one respect, nevertheless, the present arrangements are harsher than those before 1956. An agreement which has neither the virtues recognised in the Act nor the vices, but which in some way benefits the parties to it, does not qualify for the Court's approval, since the Act does not provide for a neutral category of agreements. There may be a case for the removal of this bias in the legislation.

It has been a frequent defence of restrictive agreements, particularly price agreements, brought before the Court that they serve the public interest by preventing the development of monopolistic conditions in industry, helping to preserve a larger number of separate companies in the industry in question and in this way preventing the emergence of a dominant single concern, or a few large ones each with significant power of market control. This is said to be in the interests of consumers, since they can choose from among a number of competing enterprises. The Court has not accepted this line of defence in any proceedings before it. Indeed, it is not obvious that consumers are better served when a larger number of suppliers agree not to compete on price than when a single supplier dominates the market. In both cases competition is absent or moderated, but on grounds of efficiency the second alternative may well be preferable. Moreover, with full employment, the abrogation or abandonment of a restrictive agreement is not likely to produce those long spells of severe price competition which would tend to reduce drastically the number of surviving concerns, by liquidation or by merger.

Yet an anti-trust policy which is more effective against restrictive agreements among companies than against single-company monopolies does provide some additional incentive to mergers and the formation of large companies with some significant measure of market control. Our failure to include any provision for the examination and control of mergers as they occur may prove to be a serious omission in the long run.

The published material on management decisions with regard to fixed assets is scanty, and makes little or no reference to the effects of changing prices. This article discusses the influence of inflation on such decisions—a matter of current interest.

Fixed Assets: Changing Prices and Management Decisions

By H. C. Edey

MUCH OF THE discussion concerning the effect of changing price levels on the significance of accounting figures has been directed towards the problem of measuring income *ex post facto*. Another, equally important, aspect of this question is the effect of such changes on figures used for management decisions. This article is concerned with the values of fixed assets.

When fixed assets are acquired they are, by definition, expected to provide benefit to the enterprise over a period of years. This benefit is expected to be sufficient, after covering all incidental expenses, to recover the value invested in the assets in question and in addition to provide interest (or "profit") sufficient to compensate those who have risked their resources in this, rather than in some other, activity. If the expectation of such recovery does not exist, the investment will normally not be undertaken. The estimation of depreciation and of interest on the investment, for example, by calculating an appropriate annuity, using compound interest tables, is necessary in order to determine (of necessity, roughly) the magnitude of the net annual revenue that, spread over the life of the asset with the business, will justify the investment. So long as prices remain stable, there is no controversy over the general principle, though there may be room for disagreement in particular cases on such matters as the probable commercial life of assets, their probable residual value, and the formula to be used to estimate the annual depreciation and interest charges, since these are matters of judgment and opinion.

When considering how this principle is affected by rises in prices it is helpful to bear in mind that the recovery of the money value invested, and of interest, is not desired for its own sake: it is desired for the sake of the purchasing power represented by it. If, then, prices are expected to rise, the amount to be recovered must be more than the money originally invested by a figure sufficient to preserve the purchasing power of the investment and of the interest return thereon. If market conditions happen to be such that the sales revenue less operating expenses is not likely to be sufficient to recover the amount of the depreciation and interest so calculated, the investment will appear unattractive, and the enter-

prise will know that it should direct its resources towards other activities.

These principles apply to investment in new assets, but they also apply to continued investment in assets already owned, so long as, and to the extent that, the enterprise can disinvest the capital value tied up in these assets. The amount by which such disinvestment can take place is determined by the alternative uses available for the assets in question. If the enterprise can sell the assets for a given sum of money, or can use them in some other activity in its business, then to continue to employ them in the existing use is equivalent to reinvesting in that use, at that moment, a sum of money equal to the net sale price or to their value elsewhere in the business, whichever is greater. It is appropriate to apply to this sum the same kind of test as would be applied to the prospective cost of assets to be newly bought: that is, to estimate the approximate amount that must be recovered annually in order to make it worthwhile retaining the assets in their present use.

Some assets that are already owned may not be saleable at a figure as great as the money originally invested in them, even immediately after they are installed and before they have depreciated physically or become obsolescent; and where they have been held for some time the net realisable value of such assets may be below the cost of replacing them in their existing condition. This arises when assets are specific to their jobs and of relatively less use to another owner (except perhaps as scrap), or when their sale involves significant realisation costs. The value sunk in such assets cannot be withdrawn, or can be withdrawn only in part, from the enterprise, and although depreciation may be charged on the assets at the end of each year for income calculation purposes, it can be expected, so far as it relates to the non-withdrawable part of the value, to have no direct effect on the enterprise's future plans; nor will it be significant to impute an interest cost. The assets have a reduced external value—perhaps as low as zero, or even negative: to this extent their continued retention and use does not involve a new sacrifice to the enterprise.

Nevertheless, it may be useful to an enterprise to know

that it cannot recover, with interest, all the purchasing power originally invested in these assets. Failure to recover this purchasing power suggests (though not conclusively) that it may be best, not only to withdraw such investment as is possible from the activity, but to avoid further investment or reinvestment. (It would be necessary to reject this conclusion if, on examination, it was found that the new investment could be made at such lower cost that profitability was restored. This could arise if the enterprise had made a mistake in its earlier investment, or if there had been cost-saving changes in techniques since that investment was first made.)

To sum up, an enterprise that does not expect to recover with interest the purchasing power it has invested in fixed assets will (subject to the proviso at the end of the preceding paragraph) have a disincentive to replace or extend its investment, and indeed is likely in general, and in the longer run, to be unable to do so, as the result of its inability to offer to those who supply it with finance the prospect of maintaining the purchasing power of that finance together with a competitive profit. It will also have an incentive actually to withdraw investment where this can be done.

The failure to recover depreciation and interest in terms of purchasing power may thus have a stronger effect in the longer run than in the short. In the short run the amount of capital that can be withdrawn from an activity will be determined, as noted above, by the realisable value of the assets (which may include their value to the enterprise in some other activity). But when the time comes to renew assets, or to expand the investment, the feasibility of placing additional amounts at risk arises. A return that makes it worthwhile to retain existing assets may be too little to make it worthwhile to renew equipment or to expand the investment. In any case it is desirable that the facts with respect to the recovery of purchasing power invested should be evident from the accounting data.

The problem can be regarded as one of determining the current value of the asset in question and applying to that new value appropriate depreciation and interest calculations, and it can be considered under two heads. First there is the calculation of the "withdrawable value" of assets: the current money value that could be disinvested by realising those assets that are saleable or that can be transferred to another activity of the same undertaking. Secondly, there is the valuation appropriate to that part of the assets that cannot be disinvested.

Let us consider first the withdrawable value. The problem is that of estimating the realisable value, net of realisation costs. This may be a market value. If, however, the assets can be used elsewhere in the same enterprise, an attempt has to be made to assess their current capital value on the basis of their expected contribution to the business in the other use, i.e. the capital sum that it would be worth paying to keep them in that use. (This capital value is, however, only relevant if it is estimated to be higher than the net external realisation price.)

Assessments of this kind allow scope for considerable

differences of opinion, and may be administratively costly to make. In practice therefore it may be convenient to use an alternative method of approximation. One such method is to estimate direct the replacement value, new, of the asset in question, using the resulting figure as a base for the assessment of current depreciation and for interest calculation, allowing for the fact that part of the asset's life has expired. This method, like the index number methods referred to below, is likely to give a better approximation to current saleable value the less specific is the asset to a particular use, and the less rapid is the process of technical change in that type of asset.

However, the direct estimate of the replacement value of assets can also be an expensive and difficult process. Hence valuation by using a selected price index number, applied to the original cost of the asset, may be preferred. For example, an asset that cost £1,000 might be revalued on the basis that a price index number for that general class of assets had risen, since the asset was bought, from 100 to 150. The revised cost basis would be $£1,000 \times 150/100 = £1,500$. If the appropriate annuity needed to recover cost and interest was, say, about £100 before the adjustment, it would now be raised to £150.

Next we must consider the non-withdrawable value. Here again replacement cost, or an approximation thereto such as might be provided by an index number of prices for the class of assets in question, seems to be the most appropriate procedure, for the following reason. In the long run the assets will, if the investment is to be continued, have to be replaced. To permit this the net revenue expected to be gained after replacement will have to recover the replacement price with interest. The incentive to replace the assets or extend the investment may depend partly on whether revenue is at such a level in the period before replacement becomes necessary. Hence it is the replacement cost on which attention should be focused.

Owing to the fact that price level adjustment may involve a good deal of cost and trouble, and even so the degree of approximation is likely to be high, there is something to be said from the point of view of convenience for the use of a general index for the adjustment of all asset values, particularly when there have not been wide divergences in the proportions in which the prices of different assets have risen. This simplification will, however, be unsatisfactory when the realisable values of some assets differ very much from the values obtained by applying the chosen price index to the original cost and these realisable values also represent a large proportion of the total current value of all assets. Such an approach may then give an unsatisfactory indication of the recovery of cost and interest needed to justify continued investment. For example, it is possible to imagine a situation where a net revenue sufficient to allow the recovery with interest of the adjusted original cost of all the assets calculated on the basis of a general price index might be less than the net revenue that could be obtained by realising such assets as could be realised and investing the proceeds elsewhere, abandoning the non-realisable assets. However, a rough indicator will often be better than none.

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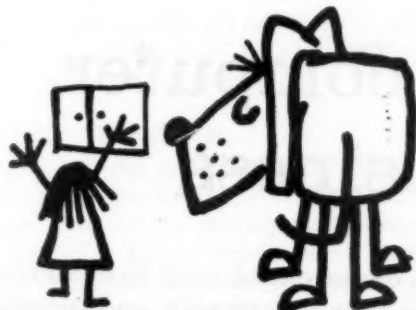
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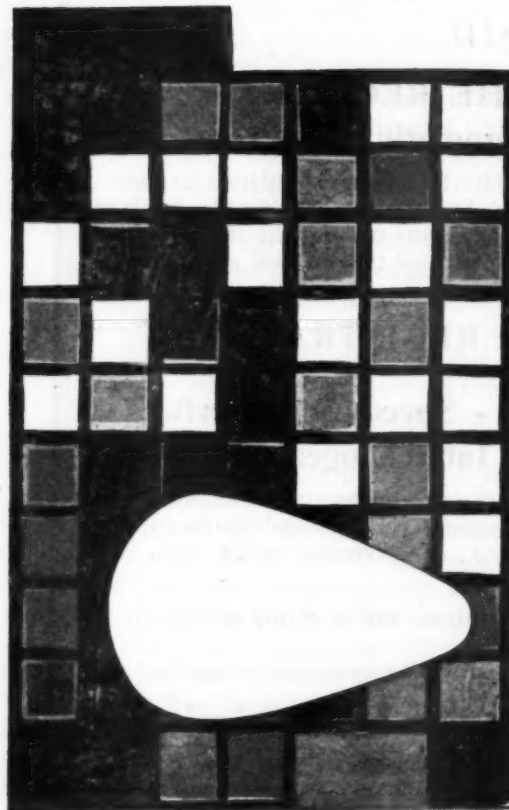
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Treasury Consent in Relation to Financial Matters

THERE ARE AT present three fields in which financial transactions may require the prior consent of the Treasury. These are:

- (1) Exchange control;
- (2) Proposals by companies to transfer overseas their place of residence or control;
- (3) Certain transactions affected by the Control of Borrowing Order, 1958.

The following paragraphs set out the circumstances in which Treasury consent must be sought for proposed transactions under each of these heads.

I. EXCHANGE CONTROL

The object of exchange control is to mobilise and conserve gold and foreign exchange resources and to ensure that they are used to the maximum national benefit. Exchange control is administered under the Exchange Control Act, 1947, which gives the Treasury extensive powers, including the making of Orders and the giving of directions and permissions. The Treasury may delegate its powers, and since 1947 most of the administration of exchange control has been conducted by the Bank of England. The Bank of England has in turn delegated to most of the commercial banks in the United Kingdom (both British and foreign) powers to deal with many types of application; such banks are known as "authorised banks." These banks and certain other persons, such as Stock Exchange firms and solicitors, have powers in connection with security transactions as "authorised depositaries"; other limited powers are delegated to travel agents. Policy on exchange control matters, however, is determined by the Treasury.

Residential Status

The regulations set up a barrier between residents (that is, of the United Kingdom) and non-residents (that is, residents outside the Sterling Area). The sterling area,

referred to in legislation as the scheduled territories, consists of the United Kingdom, British Commonwealth countries (except Canada), British protectorates, the Irish Republic, Burma, Iceland, Jordan and Libya. Generally, a person's "residence" is a question of fact, but circumstances may arise where a determination under the Act by the Treasury is necessary. The regulations bear chiefly on a person resident in the United Kingdom and thus on his financial and trading activities. A non-resident, also, is affected if he holds or wishes to acquire bank balances, investments or other assets in this country. Sterling accounts of all non-residents are designated "external" accounts.

Gold and Foreign Currency

All residents of the United Kingdom are obliged to offer for sale to an "authorised dealer in gold" at market prices all gold coin and bullion which they own, unless they have been given permission to retain it for a particular purpose. Similarly, residents must offer for sale to an "authorised dealer in foreign currency" at market prices all currencies which are "specified" by the Treasury. Specified currencies are those foreign currencies which have a recognised international circulation and are therefore the most useful for making payments abroad. Other foreign currencies need not be offered for sale to an authorised dealer, but they may not be used to make payments to non-residents without permission.

Export Proceeds

The Act provides that goods may not be exported unless payment in such manner as may be prescribed by the Treasury is to be made within six months of shipment, or such longer or shorter period as the Treasury may direct. At present payment may be made in any specified currency, in external sterling, or in any foreign currency which is freely exchangeable for sterling; specific consent

will also be given for longer periods of payment in certain cases. This procedure is designed to attain the dual objective of preventing an unauthorised export of capital in the form of goods and of securing prompt payment for goods exported. There are similar regulations designed to ensure the prompt collection by residents of other debts due from non-residents in specified currencies or in sterling.

Payments

Permission is required for all payments in sterling or foreign currency made directly or indirectly by residents of the United Kingdom to persons outside the sterling area. In accordance with the obligations we have accepted under Article VIII of the International Monetary Fund Agreement, all current payments are now freely allowed, provided there is no indication of an unauthorised export of capital. These current transactions include payment for imports, contractual liabilities of a commercial nature such as freights and insurance payments, expenditure on travel and other small payments of a personal nature. These payments are in the main covered by general consents issued by the Bank of England on behalf of the Treasury, subject to such checks, including formal application, as are necessary to distinguish them from capital payments.

Capital Transactions

The main restrictions still remaining are those on capital transactions and are dealt with in the following paragraphs. "Direct investment" is used to describe projects where the investor is proposing to take an active part in the operation of the undertaking in which the investment is being made. "Portfolio investment" describes all other types of investment.

Inward Direct Investment

Permission is required for the issue or transfer of United Kingdom securities to a non-resident, and also for the transfer of control of a United Kingdom company to a non-resident. The establishment of new companies of a commercial nature by non-residents is approved so long as the non-resident provides a reasonable proportion of the initial capital. Takeover bids by non-residents are considered on their merits. Where capital has been invested after January 1, 1950, by a non-resident in an approved project it may be repatriated at any time. This right applies to the proceeds of realisation of the investment and extends to distributions of a capital nature. It does not apply to an investment by means of the purchase of shares on a stock exchange unless this forms part of an approved investment project. Interest and dividend payments by United Kingdom companies which are controlled by a non-resident require permission. This is normally given on the production of the latest accounts of the company, accompanied by a statement by the secretary or equivalent officer that the payment is being made out of trading profits earned since September 3, 1939, in respect of which proper provision has been made for taxation.

Inward Portfolio Investment

A general permission has been given covering the purchase by non-residents of securities through a stock exchange, subject to payment being made either through the official exchange from external account or by the use of "blocked" or "security" sterling—a category which arises mainly from the sale by a non-resident of similar securities or other capital assets not covered by a repatriation arrangement. Payment of interest and dividends on such securities is freely permitted, but repatriation of the capital so invested is not allowed, except on maturity of a dated stock which has been held by a non-resident for at least five years.

Outward Direct Investment

Foreign exchange is provided for outward direct investment projects which satisfy certain criteria—for example, the use of "know-how" or the expansion of exports—designed to establish that the project will be of benefit to the economy of the sterling area. This normally involves the acquiring of control, or the provision of additional capital for enterprises which are already controlled. Such proposals are considered individually.

Outward Portfolio Investment

Foreign exchange is not allowed for new portfolio investment; but residents may acquire marketable foreign securities from other residents who already own them, or they may purchase within six months foreign currency securities with the proceeds of the sale of other such securities previously held by residents. These transactions are covered by a general consent and give rise to the so-called "switch market." All such dealings must be carried out by authorised depositaries.

Other Capital Payments

Persons leaving the United Kingdom to take up permanent residence outside the sterling area are allowed to export capital up to a limit of £5,000, any excess being usable as security sterling. Legacies due to non-resident beneficiaries are freely remittable, as are certain other capital remittances. These transactions are covered by general consents. Specific consent is needed for extraordinary repayments of a capital nature, unless made in accordance with the original terms of issue of the relevant securities. This applies to distributions on the liquidation of companies unless the person responsible for payment is satisfied that all holders to whom £5 or more is to be paid are resident in the sterling area or in the Scandinavian countries and are not nominees of persons resident elsewhere.

Securities

The control over the transfer of securities is designed to ensure that foreign and sterling securities which are United Kingdom-owned do not pass into non-resident hands unless payment is made in an acceptable manner, and that those which are non-resident-owned do not pass into United Kingdom ownership unless the resident has had permission to acquire them. Accordingly, conditions are imposed upon transfers of securities effected in the

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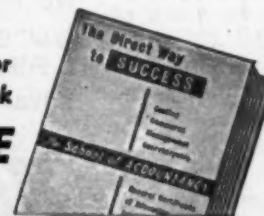
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United Kingdom, or effected elsewhere by residents of the United Kingdom. This requirement is reinforced, in the case of registered securities which are transferable in a register in the sterling area, by imposing restrictions on the registrars in such matters as registering non-resident addresses or making payments of interest or capital to non-residents. In the case of registered securities owned by a resident of the United Kingdom which are transferable in registers outside the sterling area, and of bearer securities, it is reinforced by requiring the documents of title, wherever held, to be deposited with, or held under the control of, authorised depositaries appointed by an order of the Treasury; similarly, the documents of title to such securities owned by non-residents and held in the United Kingdom must be so deposited. In addition, there are restrictions on the issue in the United Kingdom of new bearer securities and on the import and export of securities.

Enforcement

The Treasury has powers to obtain information for the purpose of securing compliance with or detecting evasion of the Exchange Control Regulations. Court proceedings may be instituted only by or with the consent of the Director of Public Prosecutions.

II. TRANSFER OF BUSINESS OVERSEAS

Under Section 468, Income Tax Act, 1952, transactions of four classes which "result or may result directly or indirectly in the avoidance of liability to income tax or the profits tax" require Treasury consent before they can lawfully be carried out. The four classes are:

- (a) The transfer of the place of residence of a company from the United Kingdom to another country.
- (b) The transfer of the whole or any part of the trade or business of a company resident in the United Kingdom to a person not so resident.
- (c) A company resident in the United Kingdom causing or permitting a company not so resident, over which it has control, to issue shares or debentures.
- (d) A company resident in the United Kingdom transferring or causing or permitting to be transferred to any other person any shares or debentures which it owns or in which it has an interest, being shares or debentures in a company not resident in the United Kingdom over which it has control (except where the transfer of shares is necessary to enable a person to be qualified to act as a director).

A company is regarded as resident where the central management and control of its trade or business is exercised (which, in practice, normally means the place where its Board meetings are held). But if its place of residence has been established for any income tax or profits tax purpose, it is presumed to be resident there for the purposes of this Section unless the contrary is proved.

A company is regarded as having control over another company if it can secure that the affairs of the second company are conducted in accordance with its wishes. Control may be possessed by the holding of a sufficient number of shares or by the possession in some way of preponderant voting power or by virtue of special powers conferred by the Articles of Association or a similar

document governing the conduct of the company's affairs.

For the purposes of class (b) above, where the functions of a company consist wholly or mainly in the holding of investments or other property, the holding of those investments or property is treated as a business carried on by the company. A mere transfer of assets which does not result in a substantial change in the character of a company's trade or business is not, however, treated as a transfer of part of its trade or business under class (b).

Specifically excluded from class (c) are transactions consisting of the giving of security by the non-resident company to a bank or insurance company for a loan granted in the ordinary course of the business of the bank or in the ordinary course of investment of the funds of the insurance company.

Treasury consent may be given either in general terms or in relation to a specified individual transaction. At the present time five general consents are in operation. These permit transactions as follows:

- (1) The emigration of a company or the transfer of part or the whole of its business overseas, where the company was incorporated after the passing of the Finance Act, 1951, to carry on a new trade or business and more than half of its share capital (more than half of each class of share capital if there is more than one class) is and was at the time of its issue held overseas.
- (2) The issue of shares or debentures by a non-resident company either for full consideration paid to it in cash or in or towards payment for any business or property acquired for full consideration, provided that (a) the shares are not redeemable Preference shares, (b) the shares are not issued to another non-resident subsidiary of the same parent (or trustees for such a subsidiary) or to individuals (or trustees for individuals) who themselves control the parent company, and (c) the transaction does not result in the parent losing control of the subsidiary.
- (3) The transfer of shares in a non-resident subsidiary from a resident parent company to another company resident in the United Kingdom, unless the parent thereby loses control of the subsidiary.
- (4) The issue of shares or debentures by a non-resident subsidiary of a resident parent company where the subsidiary was incorporated after December 31, 1951, for the purpose of starting and carrying on a new industrial activity in a Commonwealth territory and is itself resident in that territory.
- (5) The transfer overseas of the whole or part of the business of a company resident in the United Kingdom, provided that (a) the sale is for full consideration in cash, (b) the consideration does not exceed £50,000, (c) the buyer is not a company controlled by individuals or companies resident in the United Kingdom, (d) the buyer and seller are at arm's length, neither having any interest in the business of the other, and (e) the sale is not associated with any other transaction or arrangement whereby any interest in the subject of the sale could revert to the seller or to any person with an interest in his business.

Consent to transactions not within any of these five general consents may be granted unconditionally or made conditional on the giving of appropriate guarantees or undertakings, and is normally valid only if the transaction is carried out within six months. Applications for consent

are required to embody answers to a questionnaire which may be obtained from the Treasury, to which Department the application itself and any questions on whether consent is required in a particular case should be sent.

A panel of experts has been set up to advise the Treasury on applications under these provisions. The panel at present consists of Sir James Millard Tucker (Chairman), Sir William Carrington, F.C.A., Mr. A. H. Carnwath and Mr. P. R. Johnston.

III. CONTROL OF BORROWING ORDER, 1958

A General Consent, which came into operation on February 5, 1959, and is still operative, has been given by the Treasury under the Control of Borrowing Order, 1958. With certain exceptions, this gives consent to transactions to which the Order applies involving the borrowing of money, the raising of money by the issue of shares, the issue of shares or other securities and the raising of money for the purposes of a unit trust scheme.

The General Consent is subject to two conditions: that, in the case of an issue of trustee securities, the terms of issue are approved by the Bank of England before the issue is made; and that, in the case of an issue of shares or securities to raise £1 million or more, the timing of the issue is agreed with the Bank of England before the issue is made.

The following types of transactions are specifically excluded from the General Consent and, unless exempt under the £50,000 exemption conferred by the Order, continue to require specific Treasury consent:

Transactions by Persons Resident Outside the United Kingdom
These are, for the most part, transactions by overseas companies involving borrowing in Great Britain or the raising of money in Great Britain by the issue of shares. A company

is deemed to be resident outside the United Kingdom if the central management and control of its trade or business is carried on outside the United Kingdom. Applications for consent in these cases, and for consent for borrowings by non-resident individuals or institutions other than companies, continue to be dealt with on the advice of the Capital Issues Committee.

Bonus Issues of Redeemable Shares

Issues of redeemable shares (or other redeemable securities) by way of capitalisation of profits or reserves require specific consent, whatever the amount involved. The benefit of the £50,000 exemption was removed entirely from this class of issue by an Amending Order made in March, 1959. These cases are decided by the Treasury without reference to the Capital Issues Committee, since the purpose of the control over such issues is to prevent operations designed to reduce tax liabilities. It is understood that applications are normally referred by the Treasury to the Special Commissioners, as the most important tax aspect to be considered is the possibility of the avoidance of surtax either by the company or by the shareholders.

Issues of Redeemable Shares or Securities in Exchange or Substitution for Redeemable Securities Already Issued

Subject to the £50,000 exemption, such issues require consent if the earliest redemption date of the new securities is earlier than that of the securities already issued.

Local Authorities

Subject to the £50,000 exemption, all external borrowing by local authorities requires specific consent, except temporary borrowing carried out under certain specified conditions, pending the receipt of revenue properly chargeable to that purpose. Internal borrowing, for example, from the local authority's own superannuation funds does not require Treasury consent.

Providing Capital for Exempt Private Companies

By a Barrister-at-Law

THE FIRST BASIC condition for the privileges of an exempt private company is that no body corporate is the holder of any of the shares or debentures. Among the exceptions to this condition is the "Exception for Banking or Finance Company providing Capital," to use the wording of the heading to paragraph 7 of the Seventh Schedule to the Companies Act, 1948. It appears from the Parliamentary debates on the Act that one of the objects of this particular exception was to allow private companies to retain their exempt status when money is borrowed from a finance company to meet death duties. Finance and banking companies habitually take part in various

schemes when cash is required to pay death duties on the death of shareholders in private companies. The aim is to allow the company to continue as a family business. Yet the price to be paid for this advantage may be the loss of status as an exempt private company, according to the decision in the case of *Qualter, Hall & Co. Ltd. v. Board of Trade* ([1961] 2 W.L.R. 63). An unexpectedly restrictive interpretation was placed on the exception in paragraph 7: "providing capital" for this purpose was held to have a rather limited meaning.

The balance sheet of an admittedly exempt private company showed substantial reserves and unappropriated

profits. The directors considered whether the capital structure should not be reorganised, so as to reduce the disparity between the nominal amount of the paid-up share capital and the real value of the capital employed in the business, and at the same time to provide the principal shareholders with funds with which the estate duty prospectively payable on their deaths in respect of their holdings could be met without jeopardising the future of the company as a family business.

After discussion with the directors, the auditors of the company prepared a memorandum outlining a possible scheme for the capitalisation of the reserves, under which further Preference and Ordinary shares would be issued by the company, credited as fully paid-up, and sold by the shareholders entitled thereto to financial institutions. A copy of the memorandum was sent to Estate Duties Investment Trust, Ltd., which investigated the company's affairs in detail in order to ascertain whether it would be prepared to take part in the scheme and to recommend other financial institutions to do so. The directors provided the full information required, since they were of opinion that the proposed reorganisation would not only be to their personal advantage as shareholders but would also ensure the continuity of the business of the company under family control. In the result, Estate Duties Investment Trust Ltd. and four other financial institutions decided to become shareholders in the company, and its capital structure was reorganised pursuant to a series of resolutions.

Sale of Shares to Finance Company

"The advisers of the company clearly did not expect that its status as an exempt private company would be affected by this transaction," said Mr. Justice Cross, but that was the effect of his decision. He declared that the company ceased to be an exempt private company as from the date of the reorganisation.

The scheme which the company had adopted was as follows. The capital was increased from £115,000 to £165,000 by the creation of 25,000 6½ per cent. £1 cumulative Preference shares and 25,000 "A" Ordinary £1 shares, converting the existing 85,000 non-cumulative redeemable Preference shares, of which 60,000 had been issued, into 85,000 6½ per cent. cumulative Preference shares and amalgamating them with the 25,000 6½ per cent. cumulative Preference shares, converting 3,000 £10 Ordinary shares into 30,000 "B" £1 Ordinary shares, and capitalising a sum of £75,000 in the general reserve account. The directors were authorised to appropriate that sum to the members who should be registered immediately after the passing of the resolution as holders of the 30,000 "B" Ordinary £1 shares in proportion to the amount paid up on those shares, to apply the sum in paying up in full at par the 50,000 unissued 6½ per cent. £1 cumulative Preference shares and the 25,000 unissued "A" Ordinary £1 shares and to allot those shares to those members.

At the same time the company adopted a new set of articles, Article 72 of which provided that the "A" Ordinary shareholders and the Preference shareholders were entitled to receive notice of general meetings but

were not entitled to attend and vote at them unless, in the case of the Preference shareholders, at the date of the notice the dividend on their shares was six months in arrear, and, in the case of both classes, the business of the meeting included certain specified resolutions.

At a directors' meeting held on the same day the directors resolved that the £75,000 should be capitalised, applied and allotted as resolved by the company, and the chairman stated that, as the result of arrangements made with a finance company, the finance company had agreed with the shareholders concerned to purchase one-third of each of the 50,000 Preference shares and 25,000 of the "A" Ordinary shares, and to place the other two-thirds of each class with four other companies which were banking or finance companies within the meaning of the Seventh Schedule to the Companies Act, so that, while the members renounced their interest in the shares, the status of an exempt private company would be preserved.

"Acquiring Shares" not "Providing Capital"

This expectation was not realised, in spite of the wording of the first part of paragraph 7 (1). This reads:

The first of the basic conditions shall be subject to an exception for any shares or debentures held by or by a nominee for a banking or finance company, where the banking or finance company acquired the shares or debentures or its interest therein in the ordinary course of its business as such and by arrangement with the relevant company or its promoters.

But, as has been stated above, the title of this paragraph is "Exception for Banking or Finance Company providing Capital."

Counsel for the company contended that the words in the body of the paragraph naturally included a purchase of the shares or debentures or of some interest in them from the holders by arrangement with the company, as well as an issue of shares or debentures by the company in consideration of money paid to it; and that Parliament, had it intended to confine the exception to a direct issue by the company, would not have used such vague words as "acquired by arrangement with the company" but would have spoken of subscribing for shares or debentures. Counsel for the Board of Trade, on the other hand, while not disputing that the acquisition of the shares in question in this case had been by arrangement with the company, contended that the words "providing capital" in the title to the paragraph meant providing capital for the company, and that the title defined the scope of the paragraph. He argued that the word "acquired" was used rather than "subscribed" because a word was needed which would cover debentures as well as shares, and the acquisition of a partial interest as well as of the whole beneficial interest in the shares or debentures in question.

Mr. Justice Cross accepted this submission on the meaning of the words "providing capital" in the heading to the paragraph: "The words themselves are quite inapt to describe the payment of the purchase price of shares by a purchaser to his vendor, and, appearing as they do in a Companies Act, they seem to me to relate simply and solely to the provision of capital for the company."

Interpretation of an Exception

If "providing capital" meant providing capital for the company, it was suggested on behalf of the company that it did in fact obtain additional capital through the capitalisation of its reserves. But, even if that operation could properly be described as a provision of capital—which Cross, J., doubted—the provision was made by the company for itself, and not for it by the banking and finance companies, so that, even so, what was done would not come within the scope of the title of paragraph 7.

Though a title to a Section in an Act can give a clue to the meaning of an ambiguous passage in the Section, it cannot control the meaning of the words used in the Section if they are clear and unambiguous. Was the paragraph, read apart from the title, clear and unambiguous? Cross, J., held that it was not. One had to read into it the definition of "banking or finance company" contained in paragraph 9. This definition is "any body corporate or partnership whose ordinary business includes the business of banking and any other body corporate whose ordinary business includes the business of lending money or of subscribing for shares or debentures," subject to certain exceptions.

Applying this definition, it was a question of doubt whether a purchase of shares by a finance company whose ordinary business included purchasing shares as well as subscribing for them was or was not within paragraph 7. Did the words "as such" in that paragraph refer, in the case of a finance company, to the words "the business of lending money or of subscribing for shares"? One could fairly look at the title to the paragraph for assistance in resolving this doubt.

Two further considerations inclined Cross, J., to accept the contentions of the Board of Trade in preference to those of the company on this point. The first was that Section 129 (which establishes the category of "exempt private companies" by providing for the exemption, in certain circumstances, of private companies from the requirements of Section 127) creates an exception to a general rule, and should therefore in cases of doubt be construed against the party who relies on it. Secondly, he thought that the construction contended for by the company might in some cases make the paragraph very hard to work: "A purchase of shares in a private company can hardly in practice be carried through without the consent of the company; but what degree of approval or co-operation on the part of the company will justify one in saying that the shares have been acquired by arrangement with the company? In cases of doubt the Court can, I think, fairly incline to put on this paragraph a meaning which makes it easily workable by the Registrar of Companies in preference to one which might give rise to many difficult borderline cases."

Voting Rights of Finance Company

The question of the voting rights of a banking or finance company providing capital was also considered in *Qualter, Hall & Co. Ltd. v. Board of Trade*. This question arises under the proviso to paragraph 7 of the Seventh Schedule. In view of his conclusion on the major question

in the case it was not strictly necessary for Cross, J., to deal with the proviso; but he did give his opinion on it, an opinion in favour of the company and against the contention of the Board of Trade. The proviso states:

Provided that this exception shall not apply if the banking or finance company has the right (or, where there is more than one such company holding shares or debentures to which this exception has to be applied in determining the relevant company's right to be treated as an exempt private company, they have between them the right) to exercise or control the exercise of *one-fifth or more of the total voting power at any general meeting of the relevant company* [our italics].

The difficulty is that some shares, particularly Preference shares, carry voting rights at some meetings only or in certain contingencies. Is that sufficient (if the one-fifth proportion is reached) to prevent the exception applying?

The question turns on the meaning to be given to the words "any general meeting." Do they mean any and every general meeting, or any one general meeting out of many possible general meetings? Section 132 (1) of the Companies Act, 1948, contains the words "the total voting rights of all the members having . . . a right to vote at general meetings of the company." This particular form of words clearly means at all general meetings of the company. In the proviso to paragraph 7, on the other hand (as in Section 195 (10) (b) of the Act) the reference is to the right to exercise some fraction of the voting power "at any general meeting."

Cross, J., asked himself what answer the directors of these finance companies would give to the question, "Have you between you the right to exercise one-fifth or more of the voting rights at any general meeting of this company?" He thought they would answer, "No, not as things are. If the preference dividend falls into arrear, then we shall have that right, but at present we can only control one-fifth or more of the voting power at a general meeting called exclusively for the purpose of considering resolutions of the types mentioned in article 72." They would not treat the question as meaning: "May there be a general meeting of this company at which you will have the right to exercise one-fifth or more of the voting power?"

To construe "any" as meaning "any and every" makes it very easy for a company which wishes to do so to evade the proviso by giving a finance company voting control on all issues which are likely to arise while withholding it on some matters of no moment. Cross, J., appreciated this, but he concluded: "Putting the matter at the highest against the company, this word 'any' is ambiguous, and, since it occurs in a proviso to the exception, the benefit of any doubt as to its meaning should, I think, be given to the company rather than to the Board of Trade. If, therefore, I had thought that this case fell within the exception, I should not have held that it was taken out of it by the proviso."

Effect of the Decision

The fact that it did not fall within the exception, while not adversely affecting the estate duty arrangement, did

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affect the company's standing as an exempt private company. If this decision is to continue to hold the field, the respective advantages and disadvantages of this kind of arrangement will have to be carefully weighed in each particular case of a family company.

The point is already before the Jenkins Committee. In its memorandum last June the Council of The Institute of Chartered Accountants in England and Wales said (para. 24 (b)):

It should be made clear that paragraph 7 of the Seventh Schedule (which provides an exception where a banking or finance company acquires shares or debentures by arrangement with the company or its promoters) embraces not only a subscription for shares or debentures but also a purchase of shares or debentures from a member under such an arrangement.

In other words, the Council asked that it should be made clear that the Act does *not* mean what Mr. Justice Cross has now held that it does mean.

The Word "Ledger"

By B. S. Yamey

IN THE NAMING of the chief book of accounts, the English language is not in step with other west European languages. The Italian *libro mastro*, the Spanish *libro mayor*, the French *grand-livre*, the Dutch *grootboek*, the German *Hauptbuch*, the Danish *hovedbog*, the Norwegian *hovedbok*, the Swedish *huvudbok*, all refer to the status or size of the book. In early double-entry bookkeeping the ledger was generally the largest of the three essential account books—waste-book, journal and ledger. Moreover, it was the chief account book in the sense that it contained in accessible form all the relevant data as well as additional summary accounts.

Some early English texts on accounting refer, as synonyms for *ledger*, to words which reflect continental nomenclature. Thus John Weddington, in his *A Breffe Instruction . . .* of 1567, writes of the "great boke or lidger, to ballance and clere all manner of accomptis, in debtor and creditor"; and also to the "great or principall boke." Weddington's book was published in Antwerp, and its author had extensive business experience in that cosmopolitan trading centre. No doubt he was influenced by the usages and terminology of non-English trading communities. It is interesting that James Peele, in his second book entitled *The Pathway to Perfectnes . . .* published two years after Weddington's book and influenced by it, also refers to the "leager or greate booke." In his earlier book, *The Manner and Fourme . . .*

of 1553, Peele on occasions used *quaterne* as synonym for ledger; the former word was derived from the Italian *quaderno*, which was used by some of the early Italian authors of books on accounting, including Pacioli (1494) and Manzoni (1540)—the latter's main work is entitled *Quaderno doppio col suo giornale . . .*

The word *ledger*, according to the *Oxford English Dictionary*, is "perhaps formed on English *liggen*, *leggen*, dialect forms of *Lie . . .*, *Lay . . .* + *-er*, after Dutch *ligger*, *legger*." The Dictionary gives as the word's first meaning, "a book that lies permanently in some place," exemplified, *inter alia*, by "a bible" (obsolete), "a large copy of the breviary" (obsolete), and the familiar book in accounting (to which the date 1588 is assigned as the earliest known occurrence—in that year John Mellis's *A Briefe Instruction . . .* was published). That is to say, the word *ledger* in English refers to the immobility of the main book of account as compared with the journal and, *a fortiori*, the waste-book, which would have been handled and moved about more frequently. This meaning is brought out well in the following quotation from *Consuetudo . . . or the Ancient Law Merchant . . .* by Gerard Malynes (first edition, 1622): ". . . a book called a Journall, because it containeth his daily actions from time to time; and from this book are transferred or set over in another bigger book, called a Leiger, because the same remaineth (as lying) accordingly in a place for that purpose." Malynes also refers to Spanish nomenclature: "The Spaniard doth call this Booke *El Libro Grande*, and the Journall he calleth *Manuall*, being of a far lesser Volume, commonly but one third of the other," and being "manuable."

In the course of time other derivations were assigned to the word *ledger*. Thus, according to Alexander Malcolm, *A Treatise of Book-keeping . . .* 1731: "The Name, *Leger*, comes, very probably, from the Latin Word *Legere*, to gather; because in it are gathered into distinct Accounts, the Transactions relating to every *Subject*, which are scattered in the Waste-Book, according to their Dates." Richard Dafforne, in fact, refers to the "leager, or gather-book" in his *Merchants Mirrour . . .* which first appeared in 1635.

Another derivation and meaning are suggested by John Mair (*Book-keeping Methodiz'd . . .*, second edition, 1741): "It is called the *Ledger* (an *Italick* Word that signifies *Art* or *Dexterity*) because in it the artificial part of Book-keeping chiefly appears." This refers to the fact that the keeping of the ledger calls for the display of art or skill, and the contrived rearrangement of the chronological data in the journal in a more useful form. Roger North, in his *The Gentleman Accomptant . . .* (second edition, 1715), identifies the Italian word as *leggiero*, meaning "slight" (sleight). Malcolm (*op. cit.*) also refers to this second derivation: "Some Authors write it *Ledger*, and derive it from an Italian Word, which signifies *Sleight*, or *Art*; because that appears most in this Book."

This etymological note must not be prolonged; for, to quote Malcolm once again: ". . . The Original of the Name is of small Importance."

Based on an address given recently to the London and District Society of Chartered Accountants. The first part was published in ACCOUNTANCY for February (pages 70-74).

Settlements and Taxation—II

by P. W. E. Taylor

Discretionary Settlements

A simple settlement on a child or children of the settlor contingently on his or their attaining some specified age suits cases in which not too great a fund is being settled; but where the fund is large the settlor, who may have built it up by hard work and prudent management over many years, may rightly be appalled at the prospect of a vivacious daughter, who lives only for the present minute, having an income well in the surtax range at the age of twenty-one; and the father may be pardoned for harbouring similar sentiments in regard to a son who markedly prefers expensive pastimes to the diligent pursuit of a profession. What the settlor would often like to do is to get rid of the property and income he proposes to settle so that it is no longer his own for estate duty and tax purposes, but so that it does not, at any rate for some time, become the income or property of anyone else. Continued accumulation would suit such a settlor very well; but apart from accumulation for his own life or for twenty-one years from his death, both of which attract estate duty on his death, it is only in exceptional circumstances that it is possible to accumulate income of a child's share after the child has attained twenty-one.

A discretionary settlement becomes apposite in these cases and, if there is no objection to its complication and the reliance which the settlor must place on the trustees, such a settlement allows of greater flexibility even in cases of smaller funds. The essence of a discretionary settlement is that the income of the fund is during a specified period distributed between the beneficiaries in shares determined by the trustees as and when the income is received by them. The period during which the discretionary distribution of income continues is fixed by the settlement at a certain number of years—anything up to eighty-five years—though to comply with the law against perpetuities a provision must be inserted bringing the period to an end at the latest on the twenty-first anniversary of the death of the last survivor of a selection of persons living at the date of the settlement (usually members of the Royal Family are chosen). Often the trustees are given power to terminate the period prematurely if they think fit. At the termination of the settlement, the capital of the fund is distributed or held in trust

as specified in the settlement. Usually the trustees are given an overriding power to alter the trusts at any time or times during the specified period in any way they think fit, provided these remain trusts for the benefit of the same group of beneficiaries or some of them. Such an overriding power allows the trusts to be remoulded if circumstances change or if the existing trusts fall foul of future legislation. In any event the settlor and any wife or husband of the settlor should be utterly excluded from all interest in the property settled and any possible benefit from the settlement.²⁰

Under a discretionary settlement of this kind, the income arising during the specified period may be distributed between the beneficiaries according to their needs from time to time, and any income in excess of their immediate needs can, if they include one or more children under age, be accumulated during the minority or minorities of the child or children. The settlement should either contain provisions for such accumulation of income appropriated to minors and not spent immediately by the trustees on their maintenance or education, or confer a power enabling an appointment of income to be made by a separate deed containing such provisions. The accumulations of income so made during the minority of any particular beneficiary are often directed to be transferred to him absolutely when he attains the age of twenty-one, but with large funds the amount of such accumulations may be thought too much to be handed over at that age, and similar problems then arise as with the type of settlement previously considered for the benefit of a single child. Put briefly, the accumulations may in such a case be settled so as to reach the beneficiary at a later age or to go to his children after his death. Alternatively, they can be made to fall back into the general capital of the settled fund, but in that event repayment of tax on income which has been accumulated cannot be obtained, since it will not have been accumulated for the benefit of any particular beneficiary contingently on his attaining a specified age or marrying—the requirement of Section 228 of the 1952

²⁰ In particular to avoid difficulties with Section 22 of the Finance Act, 1958, and Sections 399 (a), 404 (2), 405 and 415 of the Act of 1952.

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Act. If there are no beneficiaries who are under full age, further accumulation of unwanted income can be achieved only by more elaborate arrangements. For instance, such income can be used to pay premiums on appropriately settled policies of insurance. If the trust fund contains shares in a company under the control of the trustees or the settlor, it may be possible to prevent unwanted income arising by not declaring or by reducing dividends, thus in effect accumulating income in the company's coffers.

It is, unfortunately, on the whole undesirable that the settlor should be the sole trustee or one of the trustees of a discretionary settlement. If he is, it might possibly be argued by the Revenue that any disposition made by the trustees in exercise of their discretions in favour of any beneficiary who is a "relative" of the settlor within Section 44 of the Finance Act, 1940, is to be treated as a gift, made at the time of the disposition by the settlor and so attracting, unless within some exemption, estate duty on his death within five years after the disposition:²¹ the fiduciary capacity in which the settlor would be acting would be ignored for the purposes of Section 44, since it is imposed by himself.²² It is by no means certain that this possible Revenue argument would succeed, for there are strong arguments²³ against its success. On the other hand, the possibility of future legislation aimed at settlors who remain in control of the destination of the income and capital of funds settled by them must be borne in mind, and, where the settled funds include shares or other securities of a family company, the further disadvantages of a settlor-trustee mentioned later. To avoid these difficulties the settlor must rely on trustees other than himself to administer the settlement and make distributions of income, and often capital, after a proper weighing up of the circumstances obtaining and the considerations involved from time to time. The settlor cannot control the way in which the trustees exercise their discretion, though some powers can without substantial risk of estate duty or income tax consequences be made exercisable during the lifetime of the settlor only with his consent—particularly powers to change investments and select new investments. The settlor can also be given the power to appoint new trustees in the event of vacancies occurring in the trusteeship or additional trustees being required. As it is often embarrassing for relatives, who or whose children may be potential objects of the discretions, to act as trustees of discretionary settlements, professional men, particularly accountants and solicitors, are much in demand in this capacity.

Discretionary settlements at present get two quite fortuitous advantages. On the death of an individual who is merely one of several possible objects of distribution under a discretionary trust to distribute income, this trust

continuing unchanged after his death, no estate duty is payable although the entire income or a substantial part of the income of the settled fund has until his death been regularly given to him by the trustees in the exercise of their discretion. It should perhaps be mentioned in this connection that the class of objects of a discretionary trust is often made to include the widow of the settlor. This does not cause the settlement to be caught by any of the income tax avoidance enactments, as would be the case if the wife of the settlor were included; but it is possible that it might one day be held to attract estate duty on the death of the settlor leaving a widow, on the ground that on his death one discretionary trust for individuals excluding his wife comes to an end and another, namely, one for those individuals and the wife together, commences, thus constituting a passing on the death under Section 1 of the 1894 Act. This is an undecided point. The other fortuitous advantage is that, where shares in a company controlled for surtax purposes are held by trustees on a discretionary trust, effective surtax directions cannot in practice be made: there is no means of telling how the trustees would have exercised their discretion if the income had actually been distributed as dividend, and no single possible object of distribution has an "interest" in the income or in future profits or capital of the company within Sections 248 (1) and 255 (2) of the 1952 Act.

These fortuitous advantages are, of course, very likely to be abolished at some time by legislation, and on the ground that discretionary trusts are likely to be hit by legislation settlors are therefore sometimes advised not to create them. I do not myself share the view that it is inadvisable to create a discretionary trust. Even if the two advantages mentioned were removed by legislation, the greater flexibility of a discretionary trust would remain, and the ability to avoid individuals becoming entitled at a comparatively inexperienced age to large amounts of income which cannot be accumulated. Any legislation is unlikely to put normal discretionary trust settlements into a positively disadvantageous position compared with other settlements. Estate duty legislation would, for instance, probably charge duty on death of a discretionary object on a slice basis by reference to the proportion of the total income of the settlement which he had received during the five years before his death—the estate duty provisions relating to benefits from companies (Finance Act, 1940, Section 46) are founded on a similar principle. As to future income tax legislation, although the Royal Commission on Taxation of Profits and Income thought that annual payments made under discretionary trust covenants should be treated as income of the settlor,²⁴ their recommendation does not extend to settlements of property on discretionary trusts, and the same considerations do not on the whole apply to such settlements as to discretionary trust covenants. In any event, if future legislation were to put discretionary settlements in a positively disadvantageous position, a discretionary settlement is usually drawn so that it can at any time be remoulded by the trustees into a non-discretionary form,

²¹ Finance Act, 1940, Section 44 (1) and (2), as substituted by Finance Act, 1950, Section 46; Finance Act, 1940, Section 58 (4).

²² Finance Act, 1940, Section 44 (1) (b) as so substituted.

²³ Based on the wording of Sections 2 (1) (c) and 22 (2) (b) of the Finance Act, 1894, and Section 38 (2) (a) of the Customs and Inland Revenue Act, 1881, and the express exemption relating to trust property contained in Section 2 (3) of the 1894 Act.

²⁴ Final Report (Cmd. 9474), paras. 155-7.

and the trustees would no doubt exercise such a power if legislation made it clearly undesirable to continue the settlement as a discretionary settlement.

It will be evident that the drafting of a settlement is a complicated matter. Not only is it necessary to ensure that the expressed provisions of the settlement comply with the conditions prescribed for securing that the income tax and estate duty avoidance enactments do not apply to the settlement, but it is also essential to observe the laws, complicated as they are, against perpetuity, uncertainty and undue accumulation in settlements—otherwise the settlement may not have the legal effect expressed in its provisions, and infringement of the income tax and estate duty enactments may consequently ensue. Even apart from the Solicitors Act, 1957, which prevents anyone not a barrister or a solicitor from drawing or preparing any settlement for or in expectation of reward, such drafting should not be attempted except by a trained lawyer.

Settlements by Will

Provision for a widow or surviving husband must be considered when a settlement is made by will. The usual arrangement is to give the surviving spouse the income during her life or during her widowhood from the trust property, together, sometimes, with a power for the trustees to pay amounts of capital to her if they think fit. By this arrangement, on death of the surviving spouse the trust property not so paid over obtains the estate duty exemption accorded to property on which estate duty has been paid on the death of the testator where it is settled by his will on trusts under which the surviving spouse has no power to call for or dispose of the capital of the property.²⁵ Care must be exercised that the power is not framed and capital is not paid in such a way as to turn it into income liable to income tax in the hands of the widow. Apart from provision for a widow, similar trusts for providing for children and other dependants are possible, as in settlements made *inter vivos*. But the moulding influence of income tax avoidance legislation to a large extent disappears when a settlement is to be contained in a will, for a will operates only after the death of the testator, and income cannot then for tax purposes be imputed to him. Income may, for instance, be freely used for maintenance and education of children of the testator without disadvantageous tax consequences. A testator who has children under age but wishes primarily to provide for his widow can spread modest resources to the best advantage without creating elaborate discretionary trusts by giving to trustees, in respect of each of his children, an annuity until the child attains twenty-one or some such age to be held by the trustees in trust for the child with wide powers to use it for maintenance and education of the child, and by bequeathing, subject to those annuities, a life interest to his widow with a power for the trustees to pay her capital as previously mentioned. A will of that character spreads income

amongst dependants while they are dependent and thus reduces the family income tax to a minimum.

A testator with a large estate may find it advantageous to direct the accumulation of the income of part of his estate for twenty-one years from his death—a permitted period—even if the principal beneficiaries have in consequence to spend out of capital during the accumulation period in order to make up for the temporary diversion from them of income which would otherwise be theirs. But if such an accumulation is to be effective it is essential that during the accumulation period no beneficiary should be inevitably entitled to the accumulations.

Family Companies

Where the settlor's wealth is mainly in the form of shares or other securities of a family company, he will probably not wish in making the settlement to relinquish control of the company, unless indeed one of the objects of making a settlement is to reduce his holding to less than a controlling holding so as to avoid for estate duty purposes an assets valuation under Section 55 of the Finance Act, 1940, of securities of the company retained by him or otherwise passing on his death. Control may be retained by settling non-voting shares or securities, the capital of the company being reorganised if necessary so as to create the classes of shares required. In most cases, if the settlor proposes to settle or dispose of substantially the entirety of his investment in the company, it is convenient to have voting shares of a comparatively small aggregate nominal value controlling the company on all ordinary matters but entitled to only a very small proportion of the amounts distributed by way of dividend or in a winding up, and to have the rest of the share capital in non-voting shares entitled to substantially the whole of amounts so distributed but having no voting rights except on proposals to alter the Articles of Association or capital of the company or to vote the settlor more than specified remuneration. Such non-voting shares are unlikely to have attributed to them more than a small proportion of the net assets value of the company under a Section 55 valuation, and, if any remuneration paid to the settlor as a director or officer of the company is no more than reasonable remuneration for his services, there will be no material estate duty liability under Section 46 of the 1940 Act by reason of the receipt or notional receipt of benefits from the company, provided that the settlor survives five years after making the settlement.

Where a settlement is made of shares of a family company, the income of the settled fund can, as mentioned previously, be prevented from becoming too large by restraint in declaring dividends. That a larger dividend if paid would cause the settlement to have income greater than the needs of the beneficiaries is not, however, a ground for resisting surtax directions. The company may, nevertheless, be able to justify the restrained dividend policy on independent grounds if it is not merely an investment company only and requires the income for financing the expansion or maintenance of its business.

Where the settlor wishes to be a trustee of a settlement of shares of a family company, then, in addition to the

²⁵ Finance Act, 1894, Section 5 (2); Finance Act, 1898, Section 13; Finance Act, 1914, Section 14 (a).

possibly disadvantageous consequences previously mentioned, a number of further matters must be considered. If the settlor desires in making the settlement to relinquish control of the company for the purposes of Section 55, it is certainly unwise as a general rule for him to be a trustee. Although control exercisable only in the capacity of a trustee is normally disregarded for the purposes of Section 55, that is not so where the trusteeship has been created by the trustee himself.²⁰ It must also be borne in

mind that directors may be treated as having a controlling interest in their company for profits tax and retirement benefit scheme purposes although that control only exists because they or some of them are trustees of a settlement comprising shares of the company. Finally, if the company is an investment company, the provisions of Section 260 of the Income Tax Act, 1952, relating to the apportionment of income under surtax directions must be remembered.

²⁰ Finance Act, 1940, Sections 55 (5), 58 (5).

[Concluded]

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The Management Concept in Electronic Systems

By Virgil F. Blank, C.P.A.

The unique advantages of electronic data processing can be achieved only if operations are planned in relation to the business as a whole, rather than to its separate parts.

TODAY THERE IS a major emphasis within the business community on systems and procedures development. Why is this? Principally because of three factors: (1) increased clerical activity and its associated costs; (2) management's interest in more effective control reports; (3) availability of powerful data processing equipment. If we were to examine closely most of the installed electronic data processing systems, however, we would gain the impression that they were installed for one or more of the following purposes:

1. To take over functions already performed by punched card equipment, thus making a superspeed punched card system.
2. To do some large-volume accounting job which offers possibilities of net cost reduction.
3. To acquire a special purpose machine to do a particularly difficult "problem area" job. (This usually results in a crisis in another area which needs a different machine for its solution.)
4. To experiment with a small system on a selected application with the intention of expanding the system to larger equipment later, if the initial equipment is successful.

Each of these approaches to the use of electronic equipment constitutes a patchwork solution to the overall data processing problem. Furthermore, most of these approaches involve fairly large companies which can afford medium or large-scale equipment, even though used on a partial solution basis.

This present use of EDP equipment has been misleading in that system development thinking has tended to be weighted heavily by it. The tremendous potential for utilisation of EDP by smaller companies is yet to be realised. It will only be realised when EDP systems are developed under an engineered approach.

The engineered approach

An engineered approach to system development is based on a frame of mind. It is a frame of mind which accepts the business enterprise as a high order system composed of interdependent parts. These parts are people and their methods and procedures of sales, production, purchasing, accounting, etc., working toward a common goal. These parts are usually separated into departments for organisational reasons, but not for data processing reasons. In systems development, then, the organisational structure must give way to the data-flow structure.

The business system, being interdependent, acts like

any servo-mechanical system. Just as a thermostat and a gas furnace operate as a balanced servo-mechanism sensitive to temperature, so does a business system represent a structure of people sensitive to various economic and commercial forces. There is a balance of relative effectiveness of each part within the enterprise acting in relationship with every other part to produce the performance of the whole system. As a matter of fact, strengthening one part of a business system may put stress on other parts so as to lessen overall performance.

Desired objectives of system development

It is easy to picture the effect on the production department of a suddenly successful sales campaign of which the production manager had no knowledge, or the effect of extreme overproduction in one department on all other production departments on a processing line. These would be examples of system imbalance resulting from patchwork "improvement" within a system.

The objective, therefore, of the engineered approach to system development is to optimise performance within the enterprise through achievement of proper relationships between the parts of the business system. How is this accomplished? Usually, it is accomplished by exercise of management control based on timely, proper, and accurate data.

As we learn more about EDP we realise that here for the first time is a machine system powerful enough to assist management in this control. So our question now is not, "How can I use this shiny new gadget?" but rather, "What is this particular enterprise all about and what does it take to manage it?" Perhaps the answers will include some use of electronic equipment.

Generally, there are two principal levels of management. At the top level, decisions are based on external as well as internal conditions; while at the lower level of management, concern is principally for control of conditions within the enterprise. Top management uses market analyses, projections, and predictions, while lower management uses operating reports.

Much of the decision making of top management is now based upon intuition. A great deal of the necessity for this is due to lack of the proper data available on a timely basis. Jay Forrester's recent paper on "Industrial Dynamics" (*Harvard Business Review*, July-August, 1958) described some of the research now being devoted to the development of a more professional approach to management through the use of scientific analysis and electronic computers. This paper suggested certain ways of thinking about management that should be helpful to systems and procedures personnel as well as to executives in working on inventory control, production scheduling, advertising, sales, and other related problems. Formal research on the subject of principles of scientific management is now included in the programmes of many of our universities and large corporations.

One of the basic aims of systems work in this field is the establishment of standards. These, in effect, are pre-decisions on what conditions should be. Exceptions to

these conditions are subject to computer analysis for reporting to top management.

Control of a business system

Let us look more closely at the data-flow structure and see what we mean by a business system and its control by management. The chart is generalised representation of an information system within a manufacturing enterprise.

The decisions as to production control and other operating matters are based upon reports prepared as a result of the entry of orders into the production cycle. In a business such as this, there are relatively few key factors which are needed to supply management's informational needs. These might include: (1) competitive product styling; (2) effective marketing; (3) lowest possible production costs.

Factors of this type are fundamental in that their control should result in success for the business. Once the control measures matching these key factors are known, we are well on our way toward understanding the interdependence of the parts of a business system.

What are control measures?

Let us again examine our information system design. We have said that it acts like a servo-mechanism. By this we mean that a business is controlled by information fed back in a manner similar to the way that a missile is controlled by its radiated impulses acting within a guidance system. Inventory information affected by manufacturing and sales data can be fed back to management through reporting so that the minimum amount of capital will be required to be invested in inventories.

In a business it is not alone the skill of management which determines the quality of management control. Good control depends also upon what information executives use and for what they use it. Management intuition must be fortified with proper, timely information if costly errors are to be avoided.

A proper goal in EDP system design work should be *profit improvement*—not *cost cutting*. This implies that the system analyst be management-oriented in his thinking so that he can visualise the business as an overall operation and not as a set of separate parts requiring cost reduction through mechanisation.

So the first important consideration in applying systems and procedures techniques to electronic data processing is a matter of attitude. It is a matter of adopting a frame of mind equivalent to the viewpoint of management. It is only in this way that the eventual potential of EDP will be realised. The broad-scope objectives of achievement now possible must become the concern of top corporate personnel, since technical knowledge alone is not enough. It must be fortified with management abilities.

Capabilities of electronic equipment

Now that the atmosphere has been established for working in the field of EDP, let us inquire as to *why* we are directing our attention so forcefully to the utilisation of electronic data processing equipment. What are the



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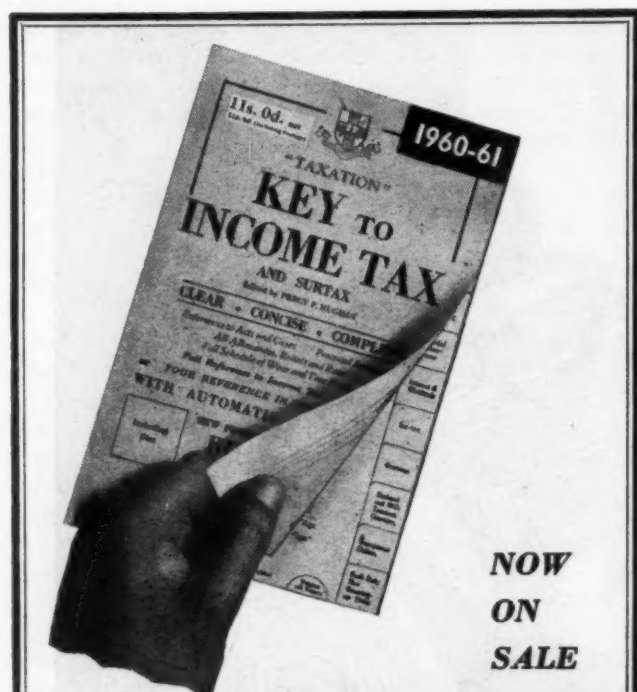
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unique capabilities of these machine systems that make them more powerful than former equipment? Perhaps it would be possible to determine this by first reviewing some of the points of difference from other business machines and then by giving some thought to the meaning of system integration. A working knowledge of these matters should be part of management's background.

As we examine the basic characteristics of non-electronic business equipment, we come to the realisation that in most cases its use has required a change from normal manual data processing procedures. Without going too far back into fundamentals, we might divide all data processing into six operational steps. These are: classifying, sorting, calculating, summarising, recording, and communicating. In the human performance of one or more of these six basic steps, there is usually the completion of all necessary work on one document before proceeding with the next. Hence, manual recording is of a continuous process nature.

With the departmentalisation caused by business growth, there has been a splintering of the recording functions into many segregations of specialised duties. Single-purpose machines have been developed to handle limited portions of these duties where there were similar operational steps in sufficient volume to justify the equipment cost.

Punched card equipment vs. EDP systems

The highest degree of development in this regard has been punched card equipment. For this reason we might review some of the characteristics of this equipment so as to be able to make comparisons later with electronic systems. The principal features of punched card equipment may be stated as follows:

1. Data is stored on a punched card which is capable of both human and machine reading. Card capacity is limited to eighty or ninety character records but the record can be extended over more than one card.
2. To a certain extent, each machine in the system is a single-purpose one, usually performing just one of the six basic data processing operations.
3. There is a limited amount of automatic control within the system. This is accomplished to a large extent by control panel wiring.
4. A high ratio of human participation is necessary—especially in moving the card records between the various special-purpose machines.
5. The recording machines have a speed limitation of approximately 150 records a minute.
6. A certain amount of system integration has been possible through the development of peripheral equipment capable of capturing data in a mechanised form at the time of original recording of a transaction.

The combination of these and other minor features of punched card equipment has permitted a rather high degree of mechanisation within selected portions of business data processing systems. However, this equipment is customarily utilised within a limited scope of operations and has usually been adopted for use in the handling of high-volume transactions.

Let us turn our examination to some of the characteristics of electronic data processing systems and learn how these characteristics permit a higher level of mechanisation than was previously feasible with punched card machines. Some features for comparison might be the following:

1. Data is stored within the machine elements or within machine-accessible elements. Record lengths are not limited, although, in some equipment, certain record lengths are more economical to use.
2. All control instructions for complete processing of sets of data are stored within the machine system and can be modified automatically to suit special processing conditions.
3. Storage, control, and processing machine elements all operate on compatible electronic principles which permit their inter-coupling into a completely automatic system.
4. No human manipulation of data is necessary during processing.
5. Logical decisions can be made within the equipment based on predetermined rules. Completely on its own, the EDP system can select data or choose alternate procedures.

These characteristics of electronic data processing systems are the principal factors which widen the scope for more extensive system development. Uninterrupted data processing is extremely fast and internal programme control is extremely versatile.

Design features

Up to this point, the general characteristics of electronic and other systems have been considered. Of particular interest, however, is how the design features of electronic equipment affect the problems of system and procedure installation. What are the points of difference that should be known with respect to how the electronic system does things? To acquire this background consideration must be given to the equipment itself.

In the design of electronic systems there are certain limiting factors—just as there are in the design of a new system or procedure or any equipment. However, these factors differ somewhat in electronic data processing and are usually somewhat more difficult to ascertain. Therefore, let us first look at some of these.

1. *Capacity to handle work volume.* The approach to system design with respect to volume limitations has certain features under EDP not found in other methods.

The usual approach when installing bookkeeping machines or tabulating equipment is to order enough machines to handle the work volume. This is not a recommended approach with EDP equipment, since there are available complete systems within various ranges of capacities, each capable of handling certain work volumes.

Once work volumes are determined, it is necessary to give attention to equipment features of the various systems so as to select the range of electronic machine systems which would be capable of performing the entire work load.

Just a word of caution on accumulating work load data: In EDP one of the most important features to consider when calculating equipment capacities is the time-demand curve of input. Most EDP systems will have a heavy daily work load. Accordingly, the time-demand for each hour of the day should be studied so as to provide machine capacity for the maximum hourly load necessary to be processed. Weekly, monthly, and annual volume fluctuations in the data flow should also be considered in establishing timing limitations.

There are also some unique features of EDP equipment which bear upon the matter of capacity. Some systems provide for overlapping of the input of data, internal processing, and the output of data. Where equipment does not perform in this manner, the input, processing, and output timing must be totalled.

This equipment is also capable of utilising a variety of input and output devices. Usually, many possible combinations of these devices must be considered in order to obtain the optimum operating condition for the system.

2. *Capacity to handle working files.* Most data processing consists of applying certain information from files to the daily transactions in order to prepare an output report. For example, the order from a customer may not contain standard shipping instructions, adequate product descriptions, credit terms, item cost, discounts, or allowances. This information must be supplied from files. In EDP systems, the simplest approach to processing is to store these files internally, that is, within the machine components.

There are many design problems relating to these files. Perhaps the most confining problem at this time is the size of file necessary. Even relatively simple business applications require vast files of data for their accomplishment. Data file storage is relatively costly in electronic equipment, especially when there is usually low reference frequency to approximately 80 per cent. of the file content. This would be in accordance with the 80-20 rule where 80 per cent. of the activity falls within 20 per cent. of the items.

Another design consideration with respect to working files is whether reference thereto can be on a sequential basis or whether it must be random. Since the sequential files have greater capacity and are less costly than random files, it is important to weigh these advantages against the disadvantages of sequencing all transaction data before processing can commence.

3. *Relative complexity of process.* Because of the versatility of EDP equipment, the scope of applications possible, and the detailed information necessary, this type of systems work is the most difficult to perform. There is a superior challenge here that constitutes a barrier to acceptance due to lack of highly trained personnel. This has been a material factor in limiting the more extensive use of computers in smaller industries.

4. *Cost.* Electronic data processing systems represent the most costly office equipment yet offered for business use. Although there has always been a certain readiness to install expensive production equipment in the factory, extensive mechanisation of the office is still a relatively new idea and meets with a certain amount of managerial resistance.

These matters of work volume and file capacity, processing complexity, and high cost are some of the systems and procedures design problems inherent in EDP work. The solving of problems of this type requires a high level of ability plus a good collection of procedural techniques.

In addition to a knowledge of how to accomplish an electronic data processing installation, it is necessary for the installer to acquire a rather broad knowledge of all typical equipment available in this new field. He must also learn how this equipment works before he can start the application of his problems to it.

EDP equipment features

In a short paper such as this, it is possibly only to point out various features of electronic equipment so as to indicate some of the system capabilities that make it so powerful. To do this, we might scan the typical system components for input, storage, processing, and output.

In order to start processing business information within an electronic system, it is necessary to present the data to the equipment in a form of language readable by it. Although most equipment in use today requires a con-

version of data from the business document to some other form, recently developed special-purpose machines are capable of reading directly from the original document.

Currently, the most widely used input method is punched cards. This is due to relatively low preparation cost, ease of verification, and development of fast card readers. Where extremely high input speeds are needed, the card may be transcribed to magnetic tape and this tape used for data entry into the system. There is some use of punched paper tape and direct keyboard entry. This latter is confined to the smaller types of systems. All of these methods are customarily accomplished by a transcription of the original document, although in some instances the cards or paper tape are by-products of other recording processes.

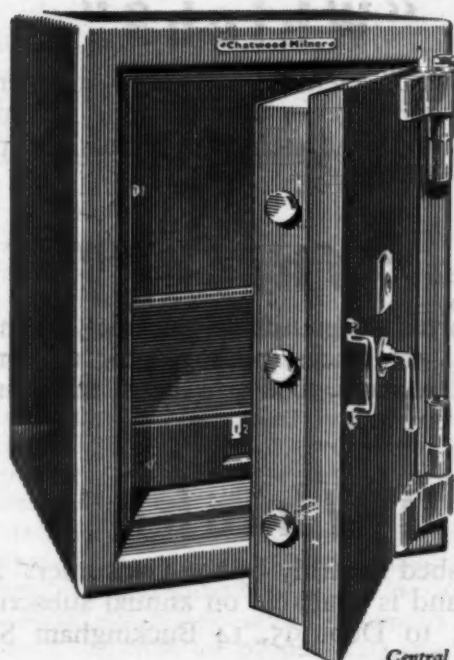
Recently, most of the equipment manufacturers introduced electronic systems capable of reading directly from documents printed with magnetic ink. These systems are special-purpose inasmuch as they have been designed for banking operations.

Just as there are a variety of input devices and related speeds, so also are there a variety of internal electronic circuits in the processing equipment, each with its ranges of speeds. Older types of equipment utilised mechanical relays as well as vacuum tubes. Most of the newer designs incorporate diodes, transistors, or ferractors — all of which lend themselves to miniaturisation. Additionally, the recently developed systems incorporate circuit elements which permit extremely fast access to all data being processed within the equipment.

One circuit element which is critical in the system design is storage. Here there is a wide range of capacities, speeds, and costs from which to choose. Some of the older systems utilised mercury-delay lines and electrostatic tubes. However, most current systems use magnetic cores, magnetic drums, tape reels, and, in some instances, magnetic discs or tape bins. Of these, the magnetic cores are the most rapid in operation and offer the greatest potential for future development. Presently, the high cost of core storage makes use of other devices economically desirable, especially where speed is not a prime factor.

After data has been processed, there are certain system design considerations which are related to the available output devices. Generally, there are advantages in using a combination of two or more of the types of available output methods. Some of the system output is usually in the form of updated records for future processing and is not meaningful in terms of the primary report requirements. Such records may be retained on tape or cards and only printed out in readable format at periodic intervals. Other data must be obtained in readable format as rapidly as possible.

Because of the system demands for a choice of output media, there are available, in most systems, magnetic tape, punched cards, paper tape, and a printer. Additionally, most systems provide for auxiliary equipment to handle output of the EDP equipment for purposes of preparing printed reports outside of the electronic system. This is termed "off-line" operation.



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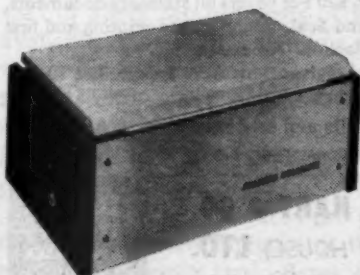
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All of these electronic components have been combined in a variety of ways by the equipment manufacturers so as to offer machine systems which presently cover a wide scope of versatility and cost. Additionally, there are available many pieces of recording equipment designed to function as parts of the completely mechanised system. These recording machines act as links between the manual system and the machine system so as to permit a high degree of integration within the entire system.

Integrated data processing

Integrated data processing is not a new concept. To a limited extent we have always had some forms of integration in our recording systems. However, these recent developments of electronic data processing machines have stimulated the parallel development of other machines designed as integrating devices.

Since integration of data processing is an important concept in the design of an EDP system, it might be well to review the meaning of this term.

As used in our work, integration has two facets: (1) unification of the system and (2) interconnection of the equipment. System unification has as its objective a design which includes on source documents sufficient information to permit use of these data wherever they are needed within the entire business structure. Interconnection of equipment encompasses the objectives of early recording of source data in machine media and the use of the machine media subsequently for all data processing. To put it more simply—the ultimate objective of integrated data processing is to have one manual recording of a transaction at its inception and to accomplish all future recordings mechanically. However, we rarely achieve more than a partial success in approaching this objective.

Potential advantages

The decision to integrate a particular portion of a system must be based on certain advantages. What are these? They should be lower cost, increased speed, and reduction of errors. As we consider machine components, we must keep these desired advantages in mind so as not to get lost in the fascinating hardware of the many ingenious gadgets for integration. It is often not feasible to push the application of integration techniques all the way back to the primary source of data.

Just as design features of electronic equipment were said to affect the problems of EDP installations, so do available designs of recording machines and recording media affect system integration. For this reason, we should approach this part of our work by becoming acquainted with the machine components and learning how these components can be modified to meet our particular methods problem.

Although punched cards are probably the most-used medium for system integration, there is also extensive use of punched paper tape. Paper tape is especially useful where there are distance problems in communication

between machines. Magnetic tape is rarely used for initial data capturing because of cost, but it is the principal recording medium within the electronic machines. Magnetic ink, either in coded form or in printed characters, is still in limited use. However, magnetic character sensing seems to have passed through the experimental stage and now offers the systems technician a new field of exploration for use in integrating systems.

There is a large family of machines from which to choose in this field of EDP. Practically every type of office machine can now be intercoupled to a card or tape punch. Flexowriters, add-punches, teletype equipment, cash registers, and ink imprinters are all machines capable of translating document language into machine language. Once translated, the machine language can be re-translated for use in other equipment where direct use is not possible or practicable. For this purpose there are card-to-tape, tape-to-card, and even tape-to-tape machines. There are presently few limits to machine compatibility. However, this matter of compatibility must be considered carefully by the analysts if minimum cost and maximum advantages are to be achieved.

New problems for management

We have mentioned some of the objectives which should be sought after in the development of electronic data processing systems and we have mentioned also the capabilities of the electronic and associated equipment. Because of the magnitude of the task of achieving these objectives with this equipment, many new problems have been created for the managers of the business enterprise. They are management problems because they require decisions to make major organisational changes, use large amounts of capital, and retrain and relocate many of the personnel.

However, these are not exclusively management problems inasmuch as the systems man is usually a key figure in their solution. For this reason, the systems man must understand the implications of his work in terms of the related management decisions necessary for the accomplishment of the systems job. Accordingly, we should examine some of the decision areas so as to understand better the role of the systems man.

Generally, the systems and procedures activity within the organisational structure is relocated when it encompasses the installation of an integrated electronic data processing system. Although data processing has customarily been assigned to the controller's department, the EDP systems group should be the responsibility of top management. It would be preferable to locate this group close to the executive vice-president or someone of similar stature.

The reason for requiring a direct line to top-level authority is founded on the necessity for disregarding the formal organisational structure in the new system design. It is at this top level that the choice must be made as to how far away to go from a patchwork systems approach and to what extent an engineered approach can be embraced. There is always a less immediate financial risk in

the patchwork approach. A more visionary approach requires both understanding and sanction by management.

Personnel selection and training

One of the most difficult problems involved in installing an EDP system lies in the selection and training of high calibre systems personnel. The success of the new system is dependent to a great degree on the quality of the systems work and programming accomplished. Therefore, the programme should be staffed with a blend of trained EDP specialists and experienced company personnel. The staff should be fortified with persons experienced in mechanised data processing, even though this may mean going outside the organisation for such talent. A study of this size should be a team effort, and it is desirable to include in active participation an outside consultant specialising in this field as well as selected representatives from company management.

Top management must supply sufficient funds for preliminary study and installation. The budget for these phases must be prepared by the EDP group leader, so he must be acquainted with management policy in this regard and also must be adept at long-range planning.

It is not sufficient, though, for management to supply financial aid only. Top management must become genuinely interested in and give active support to the entire concept of EDP. This drive must carry middle management by influence and be extended to operational levels by education. Management must join in solving the problems of how to get information about the systems and their dynamics. If electronic systems are to be used for decision making, only management can contribute the bases for those decisions.

Management participation

Now, how can management participation be encouraged? One device which has proved successful in practice is to schedule an EDP meeting at regular intervals. This may be every week or every second week. These meetings should start at the inception of the EDP programme and should continue, at least, until the new system design has been tried successfully on the equipment. Participating in the meeting should be the key system personnel, top management (especially the officer responsible for the EDP system function), outside consultant, and representatives of the electronic equipment manufacturing company. Whenever system analysis work is being done in a certain area, department heads from that area should attend the current meeting. By using a device such as this, there is an opportunity for exchange of ideas and for management to be fully informed at all times as to the status of the EDP project.

There are other problems which require different devices for their solution. One of these is personnel relations. The start of an electronic system survey is usually no secret within an organisation. Knowledge of this impending change gives rise to fear of loss of job by

many of the clerical personnel. From the start of the project there should be a definite programme for informing the personnel of what is being done. They should understand that all persons who might be required to do different work under the new system will have ample time to retrain. Usually, normal attrition within the work staff solves the problem of reduced personnel requirements.

In addition to allaying the fears of relocation, there should be positive attempts to inform all personnel of the nature of the contemplated change. This can usually be done at a group meeting, or series of meetings, where, after a short description of what is being done, one of the sound film strips or movies available from the equipment manufacturer can be shown. Continuing information can be furnished through the company bulletin or by the department heads.

All management, down through the level of department heads, should attend executive-type courses so as to become acquainted with the equipment and how it works. This will permit them to do a better job when they sit in on the system meetings or participate in the design of a portion of the new EDP system.

A most difficult problem is that of the technical upgrading of key management personnel. In order to do a better job of management and utilise the electronic equipment to its greatest potential, it is necessary that each person give a high degree of attention to the problems of data processing. To become qualified in this regard demands special effort on the part of the individual. This effort could be minimised through the adoption of a positive policy by management of seeking out beneficial seminars and courses at colleges and universities or programmes sponsored by organisations such as the American Management Association.

Summary

What all of this probably implies is that, in addition to needing management-oriented systems personnel, there is a real need for systems-oriented management personnel. It is evident, therefore, that these two groups come very close together at the higher levels of system development such as in the installation of an EDP system.

However, future progress in the area of scientific management will depend to a large extent upon the enlightened contributions of top management. Managers of our expanding business complex of men and machines will need solutions to their problems by methods based upon the exception principle. This principle provides for the sifting of vast quantities of day-to-day business data to bring out for management attention only those matters requiring action. Electronic equipment is the tool for accomplishing this rapid appraisal in an effective manner. To be able to use electronic equipment, managers must become informed. They must become informed not only of the equipment capabilities but of the vast unexplored areas of professional management techniques. In short, system development, especially where EDP equipment is involved, should be the concern of top management.

Accountant at Large

People in the Law Reports

MOST OF US whose business refers us more or less frequently to the law and the lawyers who interpret it are concerned rather with the interpretation than with the facts on which it has, in any particular case, been founded. Those who, pursuing other vocations, yet fall mildly in love with the law are usually attracted to it by the intellectual exercise it offers, the endless concern with words and their meanings, the logic which can sometimes produce clarity and at least as often a tortuous ingenuity with its own perverse fascination. But every writer of legal textbooks worth his salt knows how cases can illuminate theory, how facts can fix principles in the mind of the student. *Donoghue v. Stevenson*, that great liberating decision of the House of Lords, would have been memorable for lawyers for its unillustrated principle, but generations of students have found their studies briefly brightened by the incongruity of the snail in the ginger beer bottle.

All this is obvious enough. The report in *The Times*, on the one hand, ranging over a wide field, the monthly digest in *ACCOUNTANCY* on the other, concentrating on those sectors that are of professional interest (and within those sectors providing necessarily concentrated reports), can provide human interest for those who look for this as well as for the law which is their *raison d'être*. But there is naturally more extended reading in any one volume of the full reports. The businessman can find there men much like himself in all kinds of very understandable predicaments, their contracts unread or unfulfilled, their ships in trouble in far distant places with strange sounding names, their companies *ultra vires*, their workpeople injured and litigious. And the reports mix in the private with the commercial.

They are full of names, all with their curiously specialised and usually unsought immortality: *Donoghue*

and *Stevenson*, *Carlill* and the *Carbolic Smoke Ball Co.*, *Hadley* and *Baxendale*, *Salomon* and his company, the *Ashbury Carriage Co.* and *Riche*—these are but a handful of the better-known ones. There are uncounted others, immortal also in the sense that they are recorded, forgotten in as far as the point of law they settled has been swept up in a codifying Act, or overruled or modified in later cases—or indeed was of minimal and marginal interest even at the time. English law is founded on cases, and cases are formalised quarrels; it would be wonderful if the law reports were *not* full of human interest.

Take down any volume you like, in any law library, and browse. Look for your own name, and see what sort of person your namesake was: the fact that he was prepared to take his quarrel to court at all is no doubt significant. But browsing is the recipe. Look, for instance, at the Queen's Bench reports for sixty years ago, a distance of time at which one can expect historical as well as personal interest. The very first case in the first volume of 1901, of the butcher who sold as New Zealand mutton mutton that was not from New Zealand, has this fortuitous additional interest that a seven-pound leg cost 3s. 2½d.; and the reported dialogue between the purchaser and the butcher has period atmosphere as well as the wonderful formality so characteristic of speech that is reported in the courts—"I am desirous of procuring a leg of mutton; my wife objects to River Plate meat, and I want New Zealand mutton. Do you supply it?" And the respondent said "I do."

The second case was concerned with goods seized in the Persian Gulf under a proclamation made by the Sultan of Muscat, and in the third "the defendant has obtained from the bankrupt a sum of 500 l to be applied by the defendant in putting into operation a system for backing horses

at races invented by him." (The whole of the money was lost.) These three cases take us to page 19 of the 784 pages of text in the volume, and as we read on, amid a proportion of cases in which the facts, and even the names of the parties are dull, there is a continuation of diversity.

There was the unfenced ditch into which a man drove and was drowned. There was the stockbroker, *M*, who was going to take *T* as a partner and did in fact take £2,000 from *T* before he was himself "hammered." There was the "troupe of music-hall performers" who entered into a contract with the *Alhambra Palace* at *Hull*. There was the newspaper *Sporting Luck*, published in *Red Lion Court* in *Fleet Street*, in which coupon competitions on horse races were conducted in breach, as the court held, of the *Betting Act* of 1853. There was the case of the freeholders of *Haverfordwest*, held to have no right to vote as such in the new Parliamentary borough of *Pembroke* and *Haverfordwest*. There was the "foreigner resident in *Roumania*" who "undertook to transfer to *F* or his nominees a certain quantity of land, suitable for the erection of a sugar factory, to be situated in a certain locality in *Roumania*."

We are still only half way through the volume, and we have passed by one case which is to be found in the history books: the *Taff Vale Railway Co. v. The Amalgamated Society of Railway Servants*, one of the landmarks of trade union history rubbing shoulders with *Jones v. Brown* and *Smith v. Robinson*. There is nothing in the reports to differentiate the great leading cases from the run-of-the-mill small squabbles that add their tiny deposits of coral to the reef. And that, when you come to think of it, is one of the most satisfactory things about it all. Every case that comes before the courts is to the parties concerned the most important that ever got there. It is merely their good luck (or perhaps bad) if the law of it gives their names a notoriety that is to them quite irrelevant. To the courts they are all litigants, all much like one another, all quarrelsome, all convinced of the rightness of their cause—all people.

A reproduction of a paper given by Mr. Touche at the Institute's Summer Course in 1956. The views then expressed by Mr. Touche are of special interest at the present time in view of the increasing importance of investment policies and the current proposals for widening the investment powers of trustees. The first part appeared in *Accountancy* for February (pages 81-85).

Investment in Stocks and Shares—II

By G. L. C. Touche, B.A., F.C.A.

BUYING AND SELLING

We have hitherto considered the general factors which determine the planning of the portfolio and the choice of investments. We have now to descend from strategy to tactics and consider a number of practical matters which influence buying and selling.

Costs

It costs money to change an investment; it may cost as much as two, three or four years' income. Consider the following example. In order to bring in the jobber's turn it is assumed that 100 shares are sold and repurchased three months later, the dealing prices at both dates being 20s. to 21s.

	£	s.	d.	£	s.	d.
Sale of 100 shares at 20s. ..	100	0	0			
Less Commission 3d. per share ..		1	5			
Contract stamp ..			1			
				98	14	0
Purchase of 100 shares at 21s. ..	105	0	0			
Add Commission 3½d. per share ..		1	11			
Transfer stamp and fee ..		2	12			
Contract stamp ..			2			
				109	5	9
Loss on the operation				£10	11	9

The costs in the above example are equal to 10½ per cent. of the value of the investment. In very active stocks the dealing prices are closer, but the example is quite typical of the average quoted share. This emphasises the fact that an investor should take care to be right the first time, and that if a success is to be made of a policy of frequent changes, the individual profits have to be large.

Timing

Next to selecting good quality invest-

ments, which is comparatively easy, the most important ingredient of success is correct timing, which is extremely difficult. A glance at the chart of any index of ordinary share prices shows a distinct pattern of well-established bull markets which last several years, and bear markets which last less long than bull markets but in which the fall is more rapid than the preceding rise. Two conclusions are immediately apparent: first, the very best investments bought or sold at the wrong time can bring heavy losses; secondly, any reasonable investments bought consistently at the bottom of the cycle and sold at the top can bring large profits.

The difficulty lies in determining what point of the cycle has been reached at any particular moment. A bull market does not last very long before the "shrewd fellows" start saying prices are too high. If sales are then made and the bull market continues, a great amount of possible profit may be lost. Any change in confidence involves a reassessment of the yield basis on which stocks are valued, and as there is never at first any apparent ground for the change in confidence the new prices appear to be wrong.

These difficulties have led to the intensive study of the movements of prices by means of charts, and the development of systems of investment based on the application of formulae. These we must now consider.

Charts and Systems

A chart is the best possible method of seeing what has happened to the price of a share. Not only does it show in clear graphic form the changes in the price, but it also shows the rapidity of the movement. As the price reflects all the forces operating in the market, the chart includes the effect of all these forces. In conjunction with a chart showing the volume of shares dealt in, it can show whether the market is strengthening or weakening. A price movement that is supported by declining volume is obviously less likely to continue than one

supported by rising volume. Unfortunately the London Stock Exchange does not publish accurate figures of volume. The New York Stock Exchange does.

What the investor wants to know is the future course of the price, and many chart enthusiasts claim that charts can give guidance on this. An elaborate system of this nature has been worked out in America under the name of Dow Theory. I do not profess to understand the intricacies of this system, but the following example will show the type of inference drawn from chart movements. A primary trend once established tends to continue for a considerable period. Further, price movements are not usually continuous but proceed in a zig-zag pattern, each peak and trough being higher in a bull market, and lower in a bear market, than the one before. As a result of these two factors, the end of a bull market will be signalled by a peak failing to surpass the preceding peak and a trough falling below the one before. The practicable difficulty is, of course, to decide whether such events indicate a change in the primary trend or merely a secondary reaction of short duration.

As we have already seen, most money is to be made by buying equities at the beginning of a bull market and selling them at the end. Such a policy always runs counter to one's natural instinct, and various mathematical formulae have been devised with the object of eliminating personal judgment. One of these consists in setting a fixed ratio of value between money stocks and equities. If the equities rise in value, the ratio has to be restored by switching into money stocks. If the equities fall in value, the reverse is indicated.

I regret to say I have not found systems of this kind of any great help in investment policy, and I do not believe they are much used by those investors who are the most experienced or the most successful. My experience, so far as it goes, is that it is foolish to try to swim against the stream. Those who

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TETLEY WALKER LIMITED

MERGER OF TWO OLD ESTABLISHED COMPANIES

The First Annual General Meeting of Tetley Walker Limited was held on 23rd February 1961 at The Griffin Hotel, Leeds.

THE RT. HON. LORD BROCKET, Chairman, reported that the merger of the two principal companies—Joshua Tetley & Son Ltd. and Walker Cain Ltd.—to form Tetley Walker Ltd., became effective on 1st October, 1960, immediately after the date of the Accounts presented to the meeting.

The following is an extract from the Chairman's Statement which was circulated to shareholders with the Accounts.

Joshua Tetley & Son Ltd.

Two extremely important acquisitions took place during the financial year. The first was of Wm. Whitaker & Co. Ltd. on 1st October 1959—this purchase brought 119 West Riding public houses to the Company and placed on a permanent basis the trading relationship which had existed for over thirty years under which Whitakers had obtained virtually the whole of their beer requirements from Tetleys.

The second acquisition was of Melbourne Brewery (Leeds) Ltd. as from 1st April 1960—this purchase brought into the Company an important operating brewery which is in fact within a mile of the Tetley brewery, and 345 Licensed Houses several of which have a very substantial trade. The work of co-ordination between Tetleys and Melbourne is proceeding very happily and without undue haste. The Melbourne bottling store was not up to modern standards and was closed in November so that the bottling of beer in Yorkshire is now concentrated at Tetleys; there is, however, no intention of closing the Melbourne brewery in the near future, and when important changes such as this take place, the utmost consideration will always be taken to safeguard the interests of employees. In several cases members of the Melbourne staff are now finding that they have very bright prospects in the larger Group to which they have been warmly welcomed.

Neither of the above-mentioned acquisitions affected the production of the Tetley brewery during the year under review when the barrelage sales exceeded the record of the previous year by over 8%—being 12.4% up in the first half of the year and 4.8% higher in the half year to 30th September.

This of course was a wonderful achievement and was caused by several factors—the good weather up to June 1960 (appalling though it was thereafter!)—the continuing benefit of the duty reduction in the 1959 budget—the great improvement in public house standards; but above all, credit must be given to the beer itself and to the hard work, ability and team spirit which is so evident throughout the organisation from the executive directors downwards.

The Profit and Loss Account shows that the profit for the year after all charges except taxation was higher by £596,526 at £1,690,858—this figure includes the benefit of trading for a full year in the Whitaker houses and £111,000 in respect of the Melbourne profit for six months.

Walker Cain Ltd.

The Accounts in this case are only for a period of six months so as to terminate on 30th September—the future accounting date of the Group. Sales of our own beers during the six months were fractionally down on the same period in 1959 and this was satisfactory when the relative weather conditions are compared and the less settled trading conditions in some of the areas served by the Company are taken into consideration; sales of wines, spirits and soft drinks have continued their upward trend. The Accounts show that profits before tax at £851,545 were more than half of the total for the year ended 31st March 1960, and they were in fact slightly higher than for the same period in 1959.

In the six months' period under review a great deal of planning and preparatory work was carried out in connection with our new Warrington brewery—this will be on conventional lines but will naturally incorporate modern and economical methods which will, without any doubt, be a very great improvement. The building of the brewery is now proceeding steadily and, although it will not be in full operation until 1963, benefits will start to accrue before that time.

Tetley Walker Limited—The New Group
Since the date of the Accounts, trading conditions have been satisfactory and sales of beer by both the principal companies in the quarter ended 31st December 1960 were higher than for the previous year; our wine and spirit businesses have also done well in

the Christmas quarter.

On the financial side, it is clear that the Group requires additional working capital and we expect to put proposals before shareholders at an appropriate time aimed at providing a sum which will enable us to proceed with our development and take advantage of opportunities of a progressive nature which may arise. It is our intention to provide shareholders with a summarised statement of profits for the half year to 31st March 1961, and we expect that this will be issued during May. An interim Ordinary dividend will be paid in July 1961 arising from the six months' trading.

A long period of negotiation between Tetley and Walker Cain took place during 1960 before the circular letter of 18th August was prepared and sent to shareholders. One of the paragraphs in that letter was headed "Advantages of Merger" and, although many points were made on that subject, the general sense was that the new group would have a great potential. In the period which has elapsed since the merger became effective, I have felt more and more convinced that Tetley Walker will have a progressive future. Physically the Group is in good shape—and will be better when advantages are obtained from the new Warrington brewery—and there is an excellent feeling of enthusiasm, co-operation and growing friendship on both sides of the Pennines.

The chairman reported that the total issued share capital was now £16,628,635, consisting of £2,526,266 7½% Cumulative Preference Shares of £1 each, £2,625,000 5½% Cumulative Preference Shares of £1 each, and £11,477,369 Ordinary Shares of £1 each. He also stated that since the date of the Accounts, the share capital owned in Russells & Wrangham Ltd. had been sold to J. W. Cameron & Co. Ltd. but that the mineral water company, the grain business and a few of the public houses and other assets had been retained in the Tetley Walker group which now owned 2,771 licensed properties.

The chairman concluded his statement to the shareholders by expressing, on their behalf, sincere appreciation for the loyal services given by everyone connected with the Companies in the Group.

The Report and Accounts were adopted and the retiring directors were re-elected.

[Adv.]

sell when the bull market is in full strength, because they think prices are too high, often miss a great part of the profits they might have made. Similarly, those who buy on a falling market, because shares look cheap in relation to ideas formed six months earlier, may be surprised to learn how much further they can fall. If this view is accepted, it follows that purchases or sales should be timed to occur, not just before, but just after the change in primary trend.

Nevertheless, there are certain limits, based on long-term experience, the crossing of which serves to alert the investor that the market is on abnormal ground. For some time now the long-term borrowing rate of the British Government has fluctuated between a low point of $2\frac{1}{2}$ per cent. and high point of 5 per cent. Similarly, the yield on good-class industrial equities has moved between about $3\frac{1}{2}$ per cent. and 7 per cent. As the general level approaches these limits, a signal is given of abnormality.

SOURCES OF INFORMATION

Before making an investment in a particular company it is desirable to know as much as possible about it. A judgment is no better than the premises on which it is based. This is contrary to popular belief, which holds that a decision is wise if it turns out to be right. Thus those who have the luck to be right get the reputation of being wise, however superficial their reasoning may have been. It will of course be clear to accountants that the value of a judgment depends on the degree to which the relevant data are available, and the rationality of the conclusion drawn from these data. I put in this bit to encourage those who, like myself, are constantly making mistakes.

It may therefore be as well to review the sources of information which the investor will find most useful.

Published statements of companies

The principal of these is the annual report, containing the accounts, the report of the directors, and usually a statement by the chairman. The practice of sending the chairman's statement with the report enables a full review of the investment to be made at once instead of in two instalments. This is a great help to the investor, and the practice is now so common that the absence of a chairman's statement tends to produce irritation. Much can be learnt from a careful study of the report and accounts, but the investor will be looking not so much at the record of the

past as for indications of the future. He should look as hard between the lines as at them.

Twelve months is a long time to go between reports. The principal American companies publish quarterly statements of earnings and sometimes gross figures of business done. This is a great help, and it is gratifying to see the practice spreading here. South African gold mines report profits monthly.

In addition to annual reports, companies publish dividend declarations, announcements of contracts obtained or businesses acquired, traffic receipts, tonnage mined, and numerous other matters.

Economic statistics

Publications indicating the state of the general economy or of particular trades should also be studied by the investor. These include financial statistics; statistics of production, consumption, imports, exports, and stocks; commodity prices, and numerous others. Some of these are published by Government departments, others by trade associations, specialised markets and other private sources.

Newspapers

Nearly all the published information of value to investors will be found in the financial newspapers. Of these there is generally in each centre a daily paper such as *The Financial Times* or the *Wall Street Journal*, and several weekly or fortnightly reviews devoted to investment matters. *The Stock Exchange Official Year Book* also gives much information.

There are also special investment services such as Moody's and the Exchange Telegraph in England, which provide up-to-date sheets or cards summarising all the published information relating to each company quoted on the Stock Exchange. In America such services are still more numerous. A service like this is essential for the institutional investor.

Unpublished information

Those who move about in the business world are constantly gathering scraps of information, which, as pieced together, add usefully to their background knowledge. They also make contacts which enable them to check information received from other sources.

It is a popular belief that great benefit is derived from the receipt of "inside information." Perhaps I have been unlucky, but I have not found it so. In the first place, from the confidential

way in which such information is communicated, it is generally impossible to verify it, and it not uncommonly turns out to be wrong, or at least so garbled as to be useless. I have noticed in particular that most directors are very poor judges of the value of the shares of their own companies. After all, it is not their job.

Further, it is a great mistake to allow long-term investment decisions to be influenced by the feeling that one has special knowledge about some temporary event which may have no material long-term significance. No doubt some short-term operators make money out of knowing certain things before other people, but this type of knowledge cannot be considered a major factor in the kind of investment policy with which we are concerned in this paper.

Information of this kind is occasionally "planted," and it is as well to bear in mind the old adage: "where there's a tip, there's a tap."

Stockbrokers

It is the aim of the better stockbroking firms to give an investor all the service he needs, and, as this is given without extra charge, the investor is foolish not to take advantage of it.

The larger offices maintain statistical departments which collate all the published information affecting particular companies and put it together in the light of other information which is often available in the market but is not published. Such studies are extremely valuable.

British company law does not look kindly on directors who give information about their company's affairs other than to the general body of shareholders. In America the practice is different, and it is common for stockbrokers to spend two or three days with a representative of the management discussing the company's affairs. The reports issued as a result of these discussions give a much clearer picture than it is usually possible to obtain in the case of a British company.

Advice

As the investor has to deal through a stockbroker it will be appreciated from what has been said above that it is advisable to make full use of his knowledge. Indeed, failure to do so may cause one to remain in ignorance of some important development of which one ought to have known.

Some professional men take the view that, if expert advice is sought, it should be followed. This is to confuse advice

with instructions, and arises from the fear of refusing advice which one knows to be better informed than one's own opinion. Such an attitude is an abdication from the responsibility of making one's own decision, and, as such, is not praiseworthy.

Furthermore, it overlooks the fact that there can be no *expertise* in the matter of prophecy, and to behave as if there was places an intolerable burden on the investment adviser. The stockbroker is an expert as to known facts affecting a particular investment, but neither he nor anyone else can predict the future course of the stock market.

INVESTOR PSYCHOLOGY

Investment, like everything else, produces its own crop of psychological foibles. The most common of these is the obsession with book values. The figure at which an investment stands in the books has no bearing whatsoever on whether it is over or under-valued at the current market price.

A more refined form of the illusion is the process known as "averaging." You bought 1,000 shares of X. Ltd. at 20s. They fall to 10s. The suggestion is then made to "average," i.e. buy another 1,000 at 10s. which "will bring the price of the whole holding down to 15s." No doubt it looks better on the books that way, but nothing can alter the fact that 20s. was paid for the original 1,000. The only relevant factor in considering whether to buy another 1,000 is whether the money would be better invested in X. Ltd., or somewhere else.

Reluctance to admit mistakes, of which the above is an example, has to be fought against continuously. It is much better to run your profits and cut your losses than to be constantly taking profits and be left with a portfolio consisting almost entirely of mistakes.

The qualities required of an investor are knowledge and a capacity for rational judgment. The qualities of drive, enthusiasm, dynamic leadership, and other attributes of the popular hero of the day can well be dispensed with. This does not mean that investment is a dull, cold-blooded business. Quite the contrary; the life of a professional investor is full of excitement. But it does mean that errors of judgment cannot afterwards be retrieved by efforts of will.

No limit can be set to the amount of knowledge that may be useful to the investor. A limit is, however, set by the time available, and by the size of the organisation the fund can afford. It is very interesting to observe how the course of an industry in one country

sheds light on the probable development of the same industry in another.

The ability to form rational judgments represents an advanced state of development but cannot be described as rare. The double task of forming rational judgments *and acting on them* is more difficult. Indeed the investor's procedure may often be described by the words: *Video meliora, deteriora sequor.*

It is in the judgment of the value of equities that the emotional element enters most strongly. Particular stocks and whole groups of stocks become fashionable or unfashionable at different periods, and some become so very fashionable as to acquire glamour. When this happens the price may rise to incredible heights. Glamour, psychologists tell us, is the projection upon the object of unconscious elements in the mind of the beholder. Glamour renders rational judgment impossible. It is surprising, for instance, how many stocks are bought because investors like their names.

At the same time, the investor must avoid the mistake of being so "shrewd" that he is uniformly pessimistic about everything. The successful investor is the one who can appreciate that a new situation has arisen in relation to a particular stock or the market as a whole before the fact is generally realised.

CONCLUSION

There will be found in Appendix II some illustrations of the result of four typical investments over the last eighteen years. These examples have been supplied to me by some stockbroker friends. The period included a world war and much inflation. Far be it from me to say whether such a period should now be regarded as normal or abnormal. I should add a warning against generalising too much from these examples. Consols is typical of an undated money stock and I think the Industrial & General Trust is typical of a good-class investment trust. The two industrial stocks are in a sense unique but were chosen after tests as being market leaders and free from notable abnormalities.

The investments illustrated have produced the following results at the end of eighteen years:

	Percentage change in value Capital Income	
2½ per cent. Consolidated Stock	— 27	nil
Imperial Chemical Industries Ltd. Ordinary Stock	+163	+140

	Percentage change in value Capital Income	
The Industrial & General Trust Ltd. Ordinary Stock	+258	+317
General Motors Corporation Common Shares	+898	+512

If allowance is made for the fall in the purchasing power of sterling by applying an index of retail prices, the above figures become the following:

	Percentage change in value Capital Income	
2½ per cent. Consolidated Stock	— 73	— 62
Imperial Chemical Industries Ltd. Ordinary Stock	— 1	— 10
The Industrial & General Trust Ltd. Ordinary Stock	+ 35	+ 57
General Motors Corporation Common Shares	+275	+130

In conclusion, it may be useful to recapitulate the points which I have sought to emphasise as practical guides to action. I cannot call them principles, as they are largely a matter of personal opinion:

- (1) Both investment and non-investment involve the risk of loss of capital.
- (2) Do not invest in countries which persecute the capitalist.
- (3) Invest in well-managed companies in growing industries in an expanding economy.
- (4) The absence of a market, *de jure* or *de facto*, greatly increases the risk.
- (5) Do not buy money stocks for permanent investment.
- (6) In the choice of investments, the needs and situation of the investor are at least as important as the nature of the investments.
- (7) The size of the individual risks should be proportionate to the size of the fund.
- (8) A proper diversification is the best safeguard against loss.
- (9) To offset the risk of capital loss, a proportion of the fund should be invested in stocks with a probability of growth.
- (10) It is costly to fidget with your investments.
- (11) Do not buy on a falling market; do not sell on a rising market.
- (12) Cut your losses; run your profits.
- (13) Make your decisions in cold blood and do not be hustled.

Finally, may I express the hope that in your career as investors or investment advisers you may have a good measure of that most essential ingredient of success, luck, so that finally you may be able to say, with a certain hot-headed young man: "Out of this nettle, danger, we pluck this flower, safety."

Appendix II

2½ PER CENT. CONSOLIDATED STOCK

Year	Mean Price	
1937	79	
Cost of £3,000 Stock at mean price £2,376		
1938	71½	
1939	66	
1940	72½	
1941	79½	
1942	82½	
1943	80½	
1944	80½	
1945	87½	
1946	95½	
1947	89½	
1948	79	
1949	73½	
1950	71½	
1951	65½	
1952	58½	
1953	61½	
1954	66½	
1955	60½	
Gross Income throughout £75		
Yield on Cost £3 3s. 2d. per cent.		
End-1955 value of holding at 57½ £1,725		
Present gross income 75		

Percentage change over period		
	Sterling	Adjusted*
Value of capital ..	-27 per cent.	-73 per cent.
Value of income ..	nil	-62 ..

IMPERIAL CHEMICAL INDUSTRIES LTD.
ORDINARY STOCK

Year to Dec. 31	Mean price s. d.	Dividend per cent. declared and paid in following year	Gross Income £	Yield on cost £ s. d.
1937	36 6	8½	85	4 11 3
Cost of £1,000 Stock at mean price £1,862				
1938	30 6	8	80	4 6 0
1939	28 6	8	80	4 6 0
1940	25 6	8	80	4 6 0
1941	30 6	8	80	4 6 0
1942	34 0	8	80	4 6 0
1943	38 6	8	80	4 6 0
1944	39 0	8	80	4 6 0
1945	38 0	8	80	4 6 0
1946	44 0	10	100	5 7 6
1947	47 0	10	100	5 7 6
1948	48 0	10	100	5 7 6
Rights issue: 1 at 40s. 6d. for every 5, entitled to £200 New Stock. Sell 184 at 3s. 6d. premium (nil paid), realising £32. Take up 16 at 40s. 6d., costing £32, making holding £1,016 Stock, costing £1,862.				
1949	44 6	10	102	5 9 6
1950	42 0	12	122	6 11 0
1951	48 6	13	132	7 1 9
1952	43 0	13	132	7 1 9
Rights issue: 1 at 40s. 6d. for every 6, entitled to £169 New Stock. Sell 165 at 1s. premium (nil paid), realising £8. Take up 4 at 40s. 6d., costing £8, making holding £1,020 Stock, costing £1,862.				
1953	48 0	15	153	8 4 3
1954	35 0	10	204	10 19 0
(Adjusted)				
100 per cent. bonus issue making holding £2,040 stock costing £1,862.				
1955	50 0	10	204	10 19 0
End-1955 value of holding at 48s. £4,896				
Present gross income 204				

Percentage change over period		
	Sterling	Adjusted*
Value of capital ..	+163 per cent.	-1 per cent.
Value of income ..	+140 ..	-10 ..

* After adjustment for fall in purchasing power of sterling, i.e. 1937, 101. End 1955, 38. (1938=100). (Based on Interim Index of Retail Prices and new information published in the Blue Book on National Income and Expenditure, 1955.)

THE INDUSTRIAL AND GENERAL TRUST LTD.
ORDINARY STOCK

Year to Mar. 31	Mean price (calendar year) per 5s. stock s. d.	Dividend per cent. declared and paid in following year	Gross Income £	Yield on cost £ s. d.
1937	13 9			
Cost of £1,000 Stock at mean price £2,791				
1938	11 3	12	120	4 6 0
1939	10 3	14	140	5 0 3
1940	8 9	12	120	4 6 0
1941	9 9	12	120	4 6 0
1942	11 3	12	120	4 6 0
1943	13 3	12	120	4 6 0
1944	14 3	12	120	4 6 0
1945	15 9	14	140	5 0 3
1946	19 6	15	150	5 7 6
1947	19 9	16	160	5 14 9
1948	18 3	16	160	5 14 9
1949	17 9	16	160	5 14 9
1950	18 9	16	160	5 14 9
1951	22 9	20	200	7 3 3
1952	20 3	25	250	8 19 3
1953	26 0	30	300	10 15 0

100 per cent. bonus issue making holding £2,000 stock costing £2,791.

1954	18 0	17½	350	12 10 9
1955	25 3	20	400	14 6 9
1956	-	25	500	17 18 6
End-1955 value of holding at 25s. £10,000				
Present gross income 500				

Percentage change over period		
	Sterling	Adjusted*
Value of capital ..	+258 per cent.	+35 per cent.
Value of income ..	+317 ..	+57 ..

GENERAL MOTORS CORPORATION
COMMON STOCK

Year to Dec. 31	Mean price New York \$	Mean Exchange Rate \$	Dividend (\$ per share)	Approximate Income† £
1937	49½	4.94	3.75	152
Cost of 200 shares at mean price and exchange rate £2,013				
1938	39½	4.88	1.50	61
1939	46½	4.46	3.50	157
1940	47	4.03	3.75	186
1941	38½	4.03	3.75	186
1942	37½	4.03	2.00	99
1943	50	4.03	2.00	99
1944	59	4.03	3.00	149
1945	70	4.03	3.00	149
1946	64	4.03	2.25	112
1947	59	4.03	3.00	149
1948	58½	4.03	4.50	223
1949	62½	4.03/2.80	8.00	490
(\$5 Par)				
1950	44½	2.80	6.00	857
(Adjusted) (Adjusted)				
2-for-1 split, making holding 400 shares costing £2,013				
1951	50	2.80	4.00	571
1952	59½	2.80	4.00	571
1953	62	2.80	4.00	571
1954	78½	2.80	5.00	714
(\$1.66½ Par)				
1955	42	2.80	2.16½	929
(Adjusted)				
3-for-1 split, September 30, 1955, making holding 1,200 shares, costing £2,013.				
End-1955 value of holding at \$46½ New York, exchange rate \$2.80½ and 1½ per cent. dollar premium £20,083				
Present gross income 929				

Percentage change over period		
	Sterling	Adjusted*
Value of capital ..	+898 per cent.	+275 per cent.
Value of income ..	+512 ..	+130 ..

† Withholding tax and United Kingdom double tax relief have been ignored.

Taxation Danger Points—I

IT IS A truism that it is foolish to enter into any transaction today without considering the taxation aspects, which include not only income tax (including surtax) but also stamp duties and estate duty. It is also, unfortunately, true that it is impossible for any one person to have in his mind all the details of the various provisions in the relevant Acts of Parliament. Even the specialist is content on many points if he can remember that there is some provision and where he can find it.

This series of articles is not designed to point out devious ways of avoiding tax. It is intended to indicate where, of two or more ways of doing certain things, it is sounder to choose one rather than another or others. As will be seen, it is easy to overlook that certain ideas can increase unnecessarily the tax burden.

At times, however, the best advice can fail to bear fruit, as happened some years ago in the type of case with which this series opens.

Wedding Gifts

An individual in his seventies consulted an accountant about what should be done about preserving his estate when he died. Hopefully, the accountant asked if the client had any unmarried children likely to marry in the near future. The answer was satisfactory—a daughter was engaged to be married shortly after the date of the interview. The accountant impressed on the client that estate duty can be saved only by giving the property away without any reservations, and that wedding gifts ("gifts in consideration of marriage") were effective to save estate duty immediately, whereas other gifts to individuals escaped only after a five-year period of life by the donor after the date of gift (unless they did not exceed £500—with a marginal relief—to any one donee or were part of the normal expenditure of the donor and reasonable in amount having regard to his income).

Some property was then made over to the daughter as a wedding present; but unfortunately she then broke off the engagement, leaving the father to worry for the next five years. Happily, he survived the period and the estate duty was saved.

A point to notice where the consideration is marriage is that the stamp duty on a gift of realty is ten shillings only, and on other property five shillings for each £100

of the property given away or settled (Finance (1909/10) Act, 1910, Section 74 (5)).

A common form of marriage settlement confers life interests on the husband and wife with a power of appointment among the issue, with a gift over to the children of the marriage in equal shares if no appointment is made. In such a case, the spouses will have to pay tax on the whole income, even though they are using it for the maintenance and education of the children. A parent who releases his life interest to his infant unmarried child is a settlor (*C.I.R. v. Buchanan* [1958] Ch. 289), and any income so released would remain that of the settlor who released it to the extent that it was spent on the child's maintenance and education. It would therefore be advisable for a parent who makes a settlement on a son or daughter on the occasion of the latter's marriage to provide that any children born of the marriage are to have an income of their own; the income of such a child would not be income of the child's parent but its own, attracting personal allowances accordingly.

A discretionary settlement on the parties to the marriage and their issue would fulfil the same purpose.

Forming the Family Company

It is very common for a company to be formed to take over a business formerly carried on by a sole trader or by a partnership of individuals. The takeover of a business has many aspects which will appear as this series proceeds. In this article three only are dealt with, each involving surtax.

The first point is that the assets to be taken over must be carefully considered. In one case, which came to the writer for advice after the damage had been done, the company took over the bank balance of the former owner of the business, who subsequently had to borrow from the company to pay the surtax which fell due after it took over but was based on profits and income arising in the previous period. This gave rise to difficulties under the Income Tax Act, 1952, Section 245. The difficulties were fortunately resolved by pointing out to the Special Commissioners that the money should never have been transferred to the company and that in any event it was not unreasonable for the company to have paid no dividend until it had built up the amount set aside for taxation to cover all the tax that would be payable on assessments based on the profits to date.

The second point is the necessity to avoid initial loans, because Section 246 states that in a controlled company there is to be regarded as income available for distribution among the members any sum applied out of the income of the company on or towards payment for the

The first article in a series written to remind readers of some pitfalls to be avoided when advising clients on taxation matters.

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business, undertaking or property which the company was formed to acquire or which was the first business, undertaking or property of a substantial character in fact acquired by the company, or in redemption or repayment of any capital or loan issued or incurred in or towards such payments or in repaying loans, etc., made for the purpose. Any repayment of loans in such a case is regarded as made out of income.

The third point is that if share or loan capital or debt is issued or incurred otherwise than for adequate consideration, any amount applied in its redemption or repayment is deemed to be income available for distribution.

In the second and third instances it is still possible under current practice to negotiate a "reasonable" dividend, but this tends to be higher than would otherwise be necessary.

Taxation Notes

An Income Tax Anomaly

The Country Landowners' Association has asked the Chancellor of the Exchequer to look into what appears to be a curious taxation anomaly. In a recent case an assessment had been made, appealed against and adjusted by agreement before the income tax return had been submitted by the taxpayer. Afterwards the taxpayer found a mistake in his return on quite a different point from that at issue in the appeal. The Special Commissioners refused relief under Section 66, Income Tax Act, 1952, on the grounds that the taxpayer had made his return as evidence in support of his appeal and not for the purposes of assessment. They therefore refused relief under Section 66.

Readers will agree with the Country Landowners' Association that this cannot have been the intended position when what is now Section 66 was drafted and that the matter should be put right.

Retirement Annuities for the Self-Employed

Where the amount of premiums paid in any year of assessment for a retirement annuity exceeds the prescribed fraction of the net relevant earnings or the maximum allowable, Section 23 (2) of the Finance Act, 1956, provides that the amount of the premium which is not relieved because the net relevant earnings are

insufficient may be carried forward to the next year of assessment and allowed with the premium for that year against the net relevant earnings up to the limit for that year. Any balance for which relief cannot be given because of an insufficiency of net relevant earnings in that second year may be carried forward similarly. If, however, the amount for the year plus the amount brought forward exceeds the maximum amount available (according to the year of birth as prescribed in the Act), the net relevant earnings being sufficient for the maximum limit to apply, the excess of the premium over the amount allowed cannot be carried forward.

Illustration

1959/60	£
Net relevant earnings ..	5,000
Premium	800
Maximum relief (born 1914)	
11 per cent. of £5,000 ..	550
The deficiency of £250 can be carried forward.	
	£ £
1960/61	
Net relevant earnings ..	11,000
Premium	800
Brought forward ..	250
Premiums treated as paid in 1960/61 ..	£1,050
Amount allowable ..	825

Since there is no insufficiency of net relevant earnings in 1960/61 (the maximum relief was given) there can be no carry forward from 1960/61. Had the net relevant earnings for 1960/61 in the above illustration been £6,000, giving relief on £660, then £825 - £660 = £165 would be unrelieved because of insufficiency of net relevant earnings and could be carried forward; not £1,050 - £660.

The restriction is unfortunate and can penalise the taxpayer who has a

lean year. It would have been more equitable to allow deficiencies to go forward in the same way as losses.

To meet the restrictive nature of Section 23 (2), assurance policies may contain a condition that the taxpayer may reduce the premium by up to one-third (without affecting the widow's benefit where that is included). The pension payable would be reduced according to tables which would be set out in the policy.

There is a further disadvantage of paying any part of a premium on which tax relief is not available, and that is that the annuity bought by that part will not be earned income when received.

Road Transport—Balancing Charges

The Road Haulage Association has now reached agreement with the Inland Revenue on the figure which the Inland Revenue will accept as the open market value of goods vehicles, including trailers, which are to be brought into account in computing balancing charges. These figures, which are given below, relate to a percentage of the compensation moneys received on nationalisation.

	Percentage of compensation
Vehicles originally bought secondhand by ex-haulier:	
Ex-W.D.	15
Others	35
Vehicles originally bought new by ex-haulier:	
Before 1940 ..	35
In 1940 and later ..	60

It is understood that the Revenue will be prepared to give special consideration to applications for similar treatment from any ex-haulier whose assessments involving balancing

charges have been settled on a basis less favourable to the taxpayer than the above formula.

It must be noted that if the haulier can show that his case falls within the circumstances of the case of *John Hudson & Co. Ltd. v. Kirkness* (1953, 36 T.C. 28), there will be no sale and consequently no balancing charges. The agreement is not binding on any haulier who can show that his particular circumstances require the ascertainment of a more favourable figure. He will be entitled to appeal to the Commissioners and the Courts.

Budget Representations—The T.U.C.—

The Trades Union Congress has sent a statement to the Chancellor of the Exchequer, recommending that the main emphasis of the 1961 Budget should be directed to securing more investment, in order to increase productivity and exports. In the opinion of the T.U.C. there is no foundation for the claim that if individuals have a higher proportion of their incomes left after taxation this will provide an incentive to increase effort. It further considers that if a choice must be made between increasing social service charges and increasing direct taxation, the community should and would be prepared to accept an increase in direct taxation. The statement also once again advocates a capital gains tax.

The only suggestion for a reduction in taxation is that there should be some selective cuts in indirect taxation on basic household goods.

—The Federation of British Industries

The representations on the Budget by the Federation of British Industries emphasise that a reduction should be made in surtax—thus taking the opposite view to the T.U.C. It is pointed out that the surtax minimum of £2,000 was fixed in 1920 and that there were then about 50,000 payers of the tax. In 1960 the number had risen to about 350,000. (It is relevant to recall a recent reply to a question in Parliament to the effect that if surtax commenced at £3,000 instead of

£2,000 over half the surtax payers would cease to pay the tax.) The Federation of British Industries is concerned with the problem primarily from the point of view of payers of salaries. It states that to offer salary rewards which will induce men of exceptional ability to undertake heavier work and greater responsibility makes considerable increases in costs. It has refrained from making any recommendations this year for any reductions in other taxes, but has expressed concern at the increase in the rate of profits tax last year. The other representations are a repetition of those previously put forward, including a suggestion that investment allowances should not be switched on and off at a moment's notice and that a number of technical changes relating to overseas trade corporations should be incorporated in the next Finance Bill to improve the scheme.

Scottish Institute Memorandum to the Chancellor

The Council of the Institute of Chartered Accountants of Scotland has submitted a memorandum to the Chancellor of the Exchequer on matters which it suggests should have attention in the Finance Bill. As in previous years, the Council does not concern itself with general pleas for over-all reductions or increases in taxation or with questions of party politics. Its suggestions are designed (a) to improve the administration and (b) to remove or mitigate inequities or hardships. It urges the implementation of the recommendation of the Royal Commission that an expert body be set up to examine whether any tax avoidance provisions are too widely drawn and whether they could be expressed with greater brevity and precision. The need for a review has been emphasised by the Finance Act, 1960. A "clearance" procedure is suggested for all transactions where the question of avoidance arises.

Other suggestions made are:

(1) Appeals to the General or Special Commissioners should be capable of adjournment by agreement between the Inspector of Taxes and the taxpayer.

(2) The extension of the definition of industrial buildings to those used in trades which "include" the activities at present specified (at present the trade must "consist in" such activities) and to commercial buildings.

(3) Only profits unreasonably withheld from distribution should be subject to a surtax direction, and profits subjected to surtax should be exempted from profits tax.

(4) A marginal relief should be given where a child's income exceeds £100; or the child's income should be spread where more than one year's income is received by it in one year.

(5) Amendment on the basis of allowance of expenditure where a business is assessed as discontinued.

(6) The codification and review of estate duty.

(7) Legislation to negative the Inland Revenue contention that management expenses and relief given under Section 425 of the Income Tax Act, 1952, are to be set against gross income before the deduction of annual charges which are then assessed under Section 170. Unrelieved bank interest in such a case should be carried forward.

(8) Abolition of Schedule A.

(9) Dividends paid out of trading profits of a non-subsidiary Overseas Trading Corporation (O.T.C.) to another O.T.C. and dividends of non-resident subsidiary companies of an O.T.C. should not attract United Kingdom tax until income is distributed to a shareholder who is not an O.T.C.

(10) Extension of relief for contributions to approved general educational projects—for example, to professions.

(11) The time limit for a claim on a change in partnership to be assessed as if there had not been a discontinuance should be raised to two years.

These recommendations will probably commend themselves to readers of ACCOUNTANCY.

Pensions from the Federal German Government

The question whether a pension from the Federal German Government receivable for loss of livelihood is liable to United Kingdom income tax is, it is understood, to be heard by the Special Commissioners shortly. If it is held that such pensions are liable, the question of earned income relief is also to be raised.

Accumulating Settlements

Several readers have written in about the note on this subject which appeared on page 33 of the January, 1961, issue of ACCOUNTANCY.

We understand that the official view is that it is not possible to lay down general rules, and any information must be related to a specific case where with a duly executed settlement the facts are clearly before the Inland Revenue. The powers of trustees to reinvest trust income—normally subject to relief under Section 228 of the Income Tax Act, 1952—by way of accumulation may result in its addition to the capital of the trust fund as a whole, and the income arising from the accumulation would be in no different position for the purposes of Section 397 from the

income arising from the original funds.

It is considered that the only occasion on which repayment would be admitted during minority in the case of a settlement by the parent (other than one within Section 397 (4), which relates to residence abroad) in which the minor has a contingent interest is where the income has been released and reinvested in the name of the minor in such manner that it has passed out of the settlement.

In such a case income arising on reinvested income would not rank for inclusion in a Section 228 claim on the happening of the contingency and any claims to repayment of tax on this income must be made within the normal time limit.

Clitas

Release 61 of "Current Law" Income Tax Acts Service (Sweet & Maxwell; Stevens & Sons; W. Green & Sons), dated February 20, 1961, brought to subscribers the changes made necessary by the Finance Act, 1960. The wad of leaves is over half an inch thick—an indication of the numerous amendments, etc., made necessary by the Act.

It is regretted that the table entitled *Income Tax: Rates of Initial and Investment Allowances*, reproduced in ACCOUNTANCY for February, 1961, from the 103rd report of the Commissioners of Inland Revenue, included an error. The heading of the fifth column should read "1953/54 from Apr. 15, 1953."

Readers' Points and Queries

Estate Duty—Controlled Companies

Reader's Query.—It seems to me that the provisions of Section 46 of the Finance Act, 1940, as amended by subsequent Finance Acts, apply to controlled companies (as defined by reference to the surtax definition of "companies under the control of not more than five persons") and to any person who at some time during his life made a transfer of property to a controlled company, which would include cash paid to that company for the issue of its shares. For liability to arise under Section 46, it does not appear to be essential that the deceased shall have been a shareholder, but only that shares pass or be deemed to have passed on his death.

If I am right, then it would appear that the only way to avoid liability under Section 46 is to sell all the shares of the company before five years, and to avoid any shares passing on death. It would also seem useless to divest oneself of control of such a company, in order to avoid the liability of Section 55 of the same Act, if one retains any shares in

that company or allows any shares of that company to pass on one's death.

Reply.—For Section 46 to apply there need be no shares or debentures passing. Sub-Section 1 says that if a deceased person has made to the company in question a transfer of property (which includes cash) and any benefits have accrued to the deceased in the five years ending with his death, then the assets of the company shall be deemed to be included in the property passing on his death to the extent determined by the various Sections. Section 51 (2) prevents double duty where shares or debentures pass on the death: if the value of the shares or debentures equals or exceeds the Section 46 "slice", duty is payable only on the shares or debentures, but if such value is less, it is deducted from the "slice" and duty is payable under Section 46 on the balance.

It is only where duty would have been otherwise avoided that Section 46 is likely to be applied. It is never applied where the deceased's financial interests are adequately reflected in the value of

his shareholding at his death and no element of bounty arises on the death as would happen (but for Section 46) where the deceased, for example, had taken as benefits most of the company's income but no shares or debentures passed on his death. In such a case his death would be of great benefit to the shareholders.

If Section 46 is likely to apply, the benefits must be kept down to no more than a fair reward for the capital and services of the deceased.

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Recent Tax Cases

Profits Tax

Computation of profits—Franked investment income—Dividends from subsidiary company—“Functions” of company alleged to consist wholly of “holding” property—Subsidiary company’s undertaking nationalised—Subsequent activities devoted to obtaining compensation pending liquidation—Whether subsidiary company carrying on a trade or business—Finance Act, 1937, Section 19 (4).

The facts in *Henry Briggs, Son and Co. Ltd. v. C.I.R.* (House of Lords, 1961, 1 All E.R. 220) were noted in ACCOUNTANCY for September, 1959 (page 483), and the case was again referred to in our issue of May, 1960 (pages 288-9), following the decision of the Court of Appeal. The taxpayer company held all the shares of a subsidiary company which carried on the trade or business of coal mining until January 1, 1947, when it was nationalised under the Coal Industry Nationalisation Act, 1946. Thereupon the subsidiary company became entitled to receive the statutory compensation, and no effort was thereafter made by it to embark on any other trade, but the whole energies of its directors were devoted towards the ascertainment and obtaining of the compensation to which it was entitled. It was the intention of the directors that the subsidiary company should go into liquidation as soon as the compensation was received. In the meantime it received interim income payments and paid dividends to the taxpayer company. The taxpayer company claimed that the dividends so received were franked investment income (within the Finance Act, 1937, Schedule IV, paragraph 7 (1A)), and therefore exempt from profits tax. It was accepted by the Crown that the dividends in question would be franked investment income of the taxpayer company if the subsidiary was a company whose functions “consist wholly or mainly in the holding of investments or other property” within the meaning of those words in Section 19 (4) of the Act of 1937.

The House of Lords unanimously affirmed the decision of the Court of Appeal, which had affirmed the decision of Upjohn, J., in favour of the Crown. Lord Reid, who delivered the leading judgment, said that the right to statutory compensation was admittedly property,

and that right was held by the subsidiary company in the sense that it owned the right. If the word “functions” in Section 19 (4) had its ordinary rather wide and vague meaning he would think it was a function of the subsidiary company to own and, perhaps, to “hold” property (that is, the right to compensation) until the compensation was received in cash. Indeed, the company had no other function after the vesting date, and it would be difficult to suppose that a company in being had no function at all. But if the words “holding” and “functions” were given such wide meanings, the result would be that, whenever any company ceased to carry on its ordinary business but did not immediately start a new business or go into liquidation, Section 19 (4) would apply to it (except in the unlikely case of such a company having no assets). Such a result could not be reconciled with other provisions in the Act of 1937. As the Act set out to tax only profits from trades or businesses, it might be expected that any extension of its scope by a deeming provision (like Section 19 (4)) would apply only to companies conducting something analogous to a trade or business having the object of making profits. Section 19 (4) was a charging provision and, therefore, if it was reasonably capable of being read in that narrower sense, that afforded an additional argument for so reading it.

It appeared to his Lordship that the phrase “the holding of investments or other property” did not mean simply the owning of investments or other property, but involved the idea of retention permanently or for an indefinite time. There was an essential distinction between companies whose function or purpose or objective was to make profit by continuing to hold their assets in the form of investments or property, and companies which were not trying to make profitable use of their assets but whose whole activities were directed to realising their assets as soon as possible. In the former case the company’s activities were of a business character, involving some degree of active management; in the latter case the purpose was to cease holding assets in the form of investments or property as soon as they could be turned into money. If, there-

fore, the subsidiary company had any functions after the vesting date, those functions consisted in collecting the money due to it and not in the holding of property. Accordingly, Section 19 (4) was not wide enough in its scope to apply to the subsidiary company after the vesting date, so that the dividends paid to the taxpayer company were not franked investment income of that company.

Income Tax

Deduction of tax at source—Rent—Long lease—Statutory duty of tenant to deduct tax—Payment of rents without deduction—Whether landlord properly assessable to tax—Customs and Inland Revenue Act, 1888, Section 24 (3)—Income Tax Act, 1918, All Schedules Rules, Rules 19, 21—Finance Act, 1927, Section 26—Income Tax Act, 1952, Sections 1, 2, 6, 19, 20, 25, 28, 36, 38, 122, 148, 169, 170, 172, 177, 180.

Rents under long leases (as defined by Section 172 of the Income Tax Act, 1952) are brought within the scope of Schedule D by Section 177 of the Act. Where and to the extent that such rents are not payable out of profits or gains brought into charge to tax, Section 170 (1) requires the lessee, on making the payment, to deduct out of it a sum representing the amount of the tax thereon at the standard rate in force at the time of the payment. Sub-Sections (2) and (3), so far as relevant, provide as follows:

(2) Where any such payment as aforesaid is made by or through any person, that person shall forthwith deliver to the Commissioners of Inland Revenue, for the use of the Special Commissioners, an account of the payment . . . and of the tax deducted out of the payment . . . and the Special Commissioners shall assess and charge the payment for which an account is so delivered on that person.

(3) The Special Commissioners may, where any person has made default in delivering an account required by this Section . . . make an assessment according to the best of their judgment.

Section 36 enacts that

(1) Statements of profits or gains under Schedule D shall, unless an assessment thereon is required to be made by the Special Commissioners, be laid before the Additional Commissioners.

(2) . . . the Additional Commissioners shall direct an assessment to be made in accordance with the statement.

The facts in *Grosvenor Place Estates Ltd. v. Roberts* (C.A. 1961, 2 W.L.R. 83) were noted in ACCOUNTANCY for April, 1960 (pages 232-3). Briefly, the National

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Coal Board held a lease of premises from the appellant company for a term of eighty-one years from March 25, 1955. As the rent was not paid out of profits or gains brought into charge to tax, by virtue of Section 177 (2) of the Act of 1952 it was payable subject to deduction of income tax under Section 170 (1), and the Board was required by Section 170 (2) to render an account of the payment to the Commissioners of Inland Revenue for the use of the Special Commissioners, who were to assess the Board to tax thereon. For the six quarters between June 24, 1955, and September 29, 1956, inclusive, the Board did not deduct tax from the rent which it paid, and rendered no account to the Commissioners. The appellants were charged to tax, on assessment by the Additional Commissioners, in respect of the rent received. The Special Commissioners, applying *Glamorgan Quarter Sessions v. Wilson* (1910) 5 T.C. 537, confirmed the assessment. Danckwerts, J., applying *Glamorgan Quarter Sessions v. Wilson* and also the dictum of Upjohn, J., in *Stokes v. Bennett* (1953) 34 T.C. 337, 343, said the appellants were properly charged to tax because, although it would be the duty of the Special Commissioners, if assessment were made by them under Section 170 (2), to assess and charge the National Coal Board, yet Section 170 (2) was an administrative provision that conferred an additional power of collecting the tax from the payer of the rents, and the recipient of them remained liable to direct assessment under the provisions of Section 122, Schedule D.

In the Court of Appeal Lord Evershed, M.R., said that the vital Section for the purposes of the appeal was Section 36 of the Income Tax Act, 1952. The question was whether the appellants, having received profits or gains from property, were liable according to the general scheme and policy of that Act to make a return in respect thereof, or whether they were exempted from so doing by the words "unless an assessment thereon is required to be made by the Special Commissioners" in Section 36 (1). In the present case no deduction of tax was made from the rents and no account was delivered by the National Coal Board. Therefore, it was not sub-Section (2) of Section 170 that was applicable, but sub-Section (3), in which the relevant words were "The Special Commissioners may . . . make an assessment." Accordingly, it could not be said that the Special Commissioners were required to make an assessment within the terms of Section 36 (1).

Therefore the exemption did not apply, and the Additional Commissioners could assess the appellant lessors in respect of the rents as being profits or gains liable to tax under Schedule D.

Donovan, L.J., said that Section 36 was not a Section which could properly be construed in isolation. It was one of a number of Sections in Chapter II of Part II of the Act, which was headed "Returns and Assessment." That Chapter contained provisions imposing an obligation on the taxpayer to make a return of income and a duty on the General Commissioners to make an assessment of profits and gains to income tax. Those provisions were not dealing with the "accounts" of payments required from the payer of money under Section 170 of the Act, which accounts had to be made on each occasion of such payment, and it was therefore fallacious to construe the words "unless an assessment thereon is required to be made by the Special Commissioners" in Section 36 as including a reference to the payments assessed to tax on the payer under Section 170.

Also, long before 1927 (when Section 26 of the Finance Act, 1927, cured a defect in Section 24 (3) of the Customs and Inland Revenue Act, 1888, with the result that the law became substantially the same as it now is under Section 170 of the Act of 1952) it had been decided (in *Glamorgan Quarter Sessions v. Wilson*) that an assessment could validly be made on the recipient of an annual payment made out of untaxed funds where no tax had been deducted at source. There still remained the power and duty of the General Commissioners to make assessments upon annual payments charged with tax under Schedule D where such payments were made out of profits and gains not brought into charge to tax, and that was not adversely affected when Section 26 of the Act of 1927 was enacted. This did not involve liability to double taxation, once by deduction at source and again by assessment upon the same income. It was true that there was nothing in the Act expressly prohibiting such an injustice, but the prohibition was implicit in its provisions, as the Courts had frequently said (see per Lord Davey in *A.-G. v. London County Council* (1901) 4 T.C. 265, 299).

Harman, L.J., gave a dissenting judgment.

Surtax

Undistributed income of company—No five shareholders in control—Persons holding debentures—Whether to be

treated as members—Whether interested in capital—Whether interested in income—Finance Act, 1922, Section 21—Finance Act, 1940, Sections 46, 54, 58—Income Tax Act, 1952, Sections 245, 246, 248, 249, 250, 255, 256, 257, 258.

Section 255 (2) of the Income Tax Act, 1952, provides that

In this Chapter [Chapter III of Part IX relating to surtax on undistributed income of certain bodies corporate], "member," in relation to any company, shall include any person having a share or interest in the capital or profits or income of the company

while Section 256 (2) of the Act states that

For the purposes of this Section, a company shall be deemed to be under the control of not more than five persons . . .

(c) if (i) on the assumption that the company is a company to which . . . Section two hundred and forty-five applies; or (ii) on the assumption that the company and any other company or companies are companies to which . . . Section two hundred and forty-five applies, more than half the income of the company (including any income which has been apportioned to it, or could on either of those assumptions be apportioned to it for the purposes of this Chapter) could be apportioned for those purposes among not more than five persons.

In *C.I.R. v. R. Woolf and Co. (Rubber) Ltd.*; *C.I.R. v. Rommor (Rubber) Co. Ltd.* (Ch. 1960, T.R. 285), a company (the old company) carried on the trade of rubber manufacturing and waste rubber dealing and had an issued capital of 11,500 Ordinary shares of £1 each. It was a company under the control of not more than five persons, so that Section 21 of the Finance Act, 1922 (now Section 245 of the Income Tax Act, 1952) applied to it. In 1950 one of the principal shareholders died, and with a view to arranging for the payment of death duties on his estate, and for death duties in respect of the estates of the surviving shareholders, a new company was incorporated on March 5, 1951. The new company's capital consisted of 1,000 shares of £1 each, fifty of which were issued to the wife of one of the shareholders in the old company and the balance to the trustees of sixteen family trusts, so that no five shareholders held between them more than 49 per cent. of the issued shares of the new company.

On October 18, 1951, the shareholders in the old company sold their shares in that company to the new company for £600,000, which was satisfied by the issue of £200,000 first mortgage debenture stock and £400,000

second debenture stock in the new company. Interest at 6 per cent. per annum was payable on both debenture stocks, and they were each secured by a specific charge and a floating charge on the new company's freehold properties and general assets respectively, except that in the case of the second debenture stock the specific and floating charges were second charges. The new company was bound to pay to the trustees of the first debenture stock an annual sum of £13,125 as a redemption fund and the stock or any part of it could be redeemed at £105 per cent. at any time, but in so far as it had not been previously redeemed it was to be repaid at £105 per cent. on December 15, 1967. Similar arrangements applied to the second debenture stock, but this stock could not be repaid until after the redemption of the first debenture stock. (In the event, the whole of the first debenture stock was redeemed in the three years ended December 31, 1953, and a start was made on the redemption of the second debenture stock in the year ended December 31, 1954.) In computing the actual income of the new company for the material years the interest paid on both stocks was deducted.

On October 19, 1951, the new company purchased the undertaking and assets of the old company (subject to the then existing liabilities) for £600,000, which was left as an unsecured debt. On the same day, by special resolutions, the name of the new company was changed to that of the old company, and the name of the old company was changed to that of the new company. The object of the foregoing transactions was to provide for payment of death duties in such a way that the old company's resources would not be depleted by surtax directions and the new company's undertaking would not be imperilled by claims for estate duty made upon it as an accountable person under Sections 46, 54 and 58 of the Finance Act, 1940. As a result of the arrangements the former shareholders in the old company no longer held any shares in that company, but they held all the first debenture stock and part of the second debenture stock of the new company, so that they owned considerably more than half of the whole of the first and second debenture stocks. Consequently, if the holdings of debenture stock were material for the purposes of surtax directions (which fell to be considered by the Court) then the new company had not more than five persons who were entitled to half the assets of the com-

pany. The Special Commissioners decided that the holders of the debenture stocks were not members of the new company within Section 255 (2) of the Income Tax Act, 1952, because they had no share or interest in the capital or profits or income of the company; but if that conclusion was wrong, the stockholders had no interest in the new company's income for the reason that the interest on the debenture stocks was deductible in computing the income of the company, and therefore no apportionment could be made among the stockholders.

Danckwerts, J., said that, on authority, a wide meaning was to be given to the words "share or interest" in Section 255 (2). It was plain that the expression could not be confined to a share in the share capital of a company, and that "interest" was a word of very wide import. The Special Commissioners had erred in their judgment in that they did not appear to have given any force to the charge which was created under the debenture deeds. The deeds created a fixed charge on some assets of the company and a floating charge on all the other assets of the company, whether capital, profits or income. The words of Macnaghten, J., in *C.I.R. v. Tring Investments, Ltd.* (1939) 22 T.C. 679, 690, supported the view that where an individual or company had a charge upon property, the charge must be considered as being an interest in the property. The stockholders in the present case, through the trustee of the trust deed, had an interest in the assets of the company, and the assets must include capital, profits and income; therefore, his Lordship was unable to agree with the judgment of the Commissioners on the first question which arose to be considered (that is, whether the stockholders were "members" of the new company). He held that they were members.

The next question, which was more difficult, was whether income of the company could be apportioned among the stockholders, having regard to Section 256 (2) (c). It was indisputable that the charge conferred by the debenture deeds extended not only to the capital but also to the income which the company possessed at any given moment for payment of the annual interest on the loans and for payment of the principal sums secured by the loans. The company had the right to redeem the loans at any time, and each year the sum of £13,125 was to be set aside towards a redemption fund. Moreover, on any breach of the conditions of the

trust deeds the trustees would be in a position to enforce their security for immediate payment out of all the assets of the company, and the same result would occur if at any time the company went into liquidation. On the other hand, any payments received by the stockholders on the happening of a breach of the conditions of the debenture deeds would come to them not in the form of income, or as natural income of the company, but as payments off the principal of the loans. It might therefore be that, if his Lordship were not trammelled by authority, he would come to the conclusion that it would not be right and proper for the Special Commissioners to appropriate to the debenture stockholders any part of the balance of the company's income after payment of the interest due for the particular year to the debenture stock trustees. In *C.I.R. v. F.P.H. Finance Trust, Ltd.* (No. 2) (1946) 28 T.C. 209, 245, Lord Russell of Killowen had said:

In my opinion the Commissioners, in apportioning the income among the members, should determine who are the persons of whom it can be said (1) that they fall within the definition [of "member"], and (2) that they are the persons who, in view of all their interests in the company, are the persons really interested in the income in question and in what proportions.

Further, I think that, in considering these interests and apportioning the income among members, the Commissioners may properly be guided by the preamble to [now Section 245 of the Act of 1952] and endeavour to make an apportionment appropriate to their interests to those members for whose benefit, in relation to the avoidance of payment of [now surtax], the distribution of income has obviously been withheld. They may well ask themselves the questions (i) upon whom did it depend whether or not the income should be withheld from distribution, and (ii) for whose benefit was the distribution withheld or (in other words) who would avoid payment of [surtax] by the withholding? If the same individuals figure in each answer, those are obviously the persons who, according to their interests in the company, own the real and paramount beneficial interest in the fund in question. Other members may also have an interest therein, but to a smaller extent.

Danckwerts, J., said that he felt bound to apply the above observations, even though he might have reached a different conclusion without the guidance of Lord Russell's judgment. His Lordship accordingly made a declaration in the first case that the company (the new company) was one to which Section 245 applied. In the second case,

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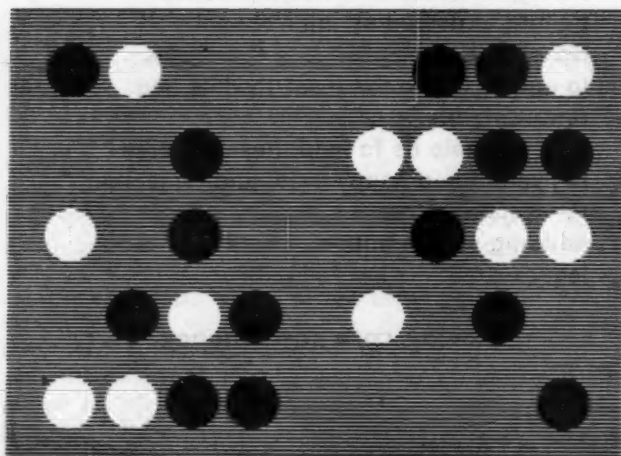
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the company, having indicated that it did not desire to pursue the matter, the Crown's appeal was allowed. It is interesting to compare the important decision in the first case with the definition of "member" in Section 258 (3) of the Income Tax Act, 1952 (relating to investment companies), which is extended so as to include any loan creditor of the company (paragraphs (a) and (b)).

Surtax

Settlement—Powers of trustee—Statutory power of advancement—Accumulation of income during settlor's lifetime—Trust in favour of settlor's wife and unborn children—Beneficiaries benefiting on settlor's death—Whether power of advancement negated by trust for accumulation—Income Tax Act, 1952, Section 405 (1), (2)—Trustee Act, 1925, Sections 31, 32 (1), 69 (2).

Section 32 (1) of the Trustee Act, 1925, empowers trustees to pay or apply any capital money subject to a trust for the advancement or benefit of any person entitled to the capital of the trust property or any share of such property. There are, however, certain provisos to the sub-Section, and proviso (c) reads as follows:

No such payment or application shall be made so as to prejudice any person entitled to any prior life or other interest, whether vested or contingent, in the money paid or applied unless such person is in existence and of full age and consents in writing to such payment or application.

Section 69 (2) of the same Act then provides that

The powers conferred by this Act on trustees are in addition to the powers conferred by the instrument [the trust deed], if any, creating the trust, but those powers, unless otherwise stated, apply if and so far only as a contrary intention is not expressed in the instrument, if any, creating the trust, and have effect subject to the terms of that instrument.

The facts in *C.I.R. v. Bernstein* (Court of Appeal, 1961, 1 All E.R. 320) were noted in ACCOUNTANCY for May, 1960 (pages 287-8), following the decision of Danckwerts, J. In a settlement making provision for his future wife, a settlor directed the trustees to accumulate the income of the trust fund by investing it and the income therefrom in authorised investments in augmentation of the capital of the fund for the benefit of the person eventually becoming entitled thereto. After his death the fund was to be held on trust as to one-third for any children of the marriage then

living and as to two-thirds for the wife absolutely, but, if she should die in the settlor's lifetime leaving children, then for the children of the settlor and of the wife living at the settlor's death. If there were no children, the trust fund was to be held after the settlor's death for the wife if living, or, if she were not living, for her sister. There was as yet no child of the marriage. The settlor was assessed to surtax on the basis that half of two-thirds of the income arising under the settlement (because it is one-half of the presumptive or vested share or interest of a person in the trust fund which can be advanced under Section 32 of the Act of 1925) should be treated as his income under Section 405 (1) and (2) of the Income Tax Act, 1952, on the ground that he was deemed to have an interest in such income for the reason that income or property might become payable to his wife by virtue of an exercise of the statutory power of advancement in her favour in respect of her two-thirds share of capital.

The Special Commissioners held that the statutory power of advancement was not inconsistent with any express provision in the settlement, but that the interests of the unborn children were prior interests within Section 32 (1) (c) of the Act of 1925, with the consequence that no advancement could be made owing to the impossibility of obtaining their consents. They therefore discharged the assessments on this ground. Danckwerts, J., applied *Re Turner's Will Trusts*; *District Bank Ltd. v. Turner* [1937] Ch. 15—a decision on Section 31 (1) (ii) of the Act of 1925, which deals with maintenance—and said that the trust for accumulation was inconsistent with the trust for advancement contained in the Act, and accordingly no advances of either capital or income could be made to the wife during the settlor's lifetime under Section 32. But, had the power of advancement been applicable to the settlement, the children of the marriage would not have had prior interests to that of the wife (as found by the Special Commissioners) so as to necessitate their consent to any exercise of the power of advancement under proviso (c) to Section 32, because, as regards two-thirds of the capital of the trust fund and its accompanying income, the first interest was the interest of the wife and the interest of the children was only a contingent interest subject to her first interest.

In the Court of Appeal Lord Evershed, M.R., said that on the face of it the case was "a little startling." No advancement pursuant to Section 32

was ever purported to have been made, and the Court had been informed that after the Revenue claim was first made the trusts of the settlement had been varied by an appropriate instrument so as henceforth to exclude any possibility of advancement to the beneficiary, who had become the settlor's wife. Put in the form of a question the problem was: (i) did the power of advancement under Section 32 apply to the settlement, or was its application excluded by the general terms of Section 69 (2), and (ii) if the power of advancement did apply, was its effect for practical purposes wholly negated by proviso (c) of Section 32 (1), seeing that there were not in existence any children of the settlor and the beneficiary who, if they were in existence, would have a prior life or other interest in the money which might be applied by the exercise of the power? If proviso (c) did apply, the consent of non-existent children could not, of course, be obtained.

His Lordship said he had felt great difficulty about the case, but, as he apprehended the judgment of the Court of Appeal in *Re Turner's Will Trusts*, that Court was saying that Section 69 (2) would have its excluding effect if on a proper reading of the instrument one found a contrary intention, and one need not seek for an express exclusion. The present case bore an analogy, at any rate, to *Re Turner's Will Trusts*, though it involved the problem of excluding a different Section. It was a question in every case of examining the instrument and seeing what really was its effect and purpose. In the instant case it was quite apparent that the whole object of the instrument was to build up a capital sum which would be paid out to the beneficiary or her children, if any, on the settlor's death. The trust for accumulation had therefore a special importance and emphasis and the decision of Danckwerts, J., should not be interfered with. Harman, L.J., said it was admitted by the Crown that the statutory power to maintain included in Section 31 of the Act of 1925 was overridden by the express trust to accumulate, and the Gilbertian position was thus reached that, on the view of the Crown, though the children of the marriage might not be maintained out of income, they might be advanced out of capital. When one reaches that conclusion, he said, "it is time to draw the foot back before slipping into the pond of absurdity."

Lord Evershed said it was unnecessary to pursue the second point—namely, that the children, though

unborn, had a prior interest in any sums paid out because they were concerned, or would be if they lived, to see that the income in each year was in its totality applied in augmentation of the capital. As the Court had said in *Re Turner's Will Trusts*, it is "a question of some difficulty upon which we need not express an opinion." He also was glad to refrain from expressing an opinion on it, save only to say that he was not to be taken as intimating that he thought Danckwerts, J., wrong in saying that the point was not one which should decide the case in the Crown's favour. Harman, L.J., on the other hand, said he felt some inclination towards the view of the Commissioners, but it was not a matter which the Court need decide, since the first point concluded the case.

Stamp Duty

Conveyance or transfer on sale—Exchange or conveyance on sale—Deed entitled "deed of exchange"—No evidence of preceding contract of sale—Whether lease a "conveyance"—Lease by friendly society to company—Assignment of lease to associated company—Whether beneficial interest in the property previously "conveyed" by a person not associated with the transferor or transferee—Stamp Act, 1891, Sections 12, 13, 56 (2), Schedule I—Finance (1909-10) Act, 1910, Section 74—Finance Act, 1930, Section 42—Finance Act, 1938, Section 50.

Section 42 of the Finance Act, 1930, provides that

(1) Stamp duty under the heading "Conveyance or Transfer on Sale" in the First Schedule to the Stamp Act, 1891, shall not be chargeable on an instrument to which this Section applies . . . (2) This Section applies to any instrument as respects which it is shown to the satisfaction of the Commissioners of Inland Revenue—(a) that the effect thereof is to convey or transfer a beneficial interest in property from one company with limited liability to another such company; and (b) that . . . (i) one of the companies is beneficial owner of not less than ninety per cent. of the issued share capital of the other company . . .

while Section 50 of the Finance Act, 1938, cuts down the foregoing exemption in the following terms:

(1) Section 42 of the Finance Act, 1930 . . . shall not apply to any such instrument, unless it is shown to the satisfaction of the Commissioners of Inland Revenue that the instrument was not executed in pursuance of or in connection with an arrangement whereunder—(a) the consideration for the transfer or conveyance

was to be provided directly or indirectly by a person other than a company which at the time of the execution of the instrument was associated with either the transferor or the transferee; or (b) the beneficial interest in the property was previously conveyed or transferred directly or indirectly by such a person as aforesaid.

In *Littlewoods Mail Order Stores Ltd. v. C.I.R.* (Ch., 1961, 2 W.L.R. 25), a friendly society owned certain freehold property which it leased to A company for the term of 99 years from June 24, 1947, at an annual rent of £23,444. On December 8, 1958, the society granted to A company a lease of the same property for 22 years and 10 days at an annual rent of £6; this operated as a surrender of the 99-year lease. On December 9, A company assigned the second lease to B company, which was a wholly-owned subsidiary of A company. On December 10, B company granted to A company an underlease of the property for 22 years at an annual rent of £42,450. On December 11, the society and B company executed a deed, called a deed of exchange, whereby B company assigned to the society the 22-year-10-day lease subject to and with the benefit of the 22-year underlease, and the society conveyed to B company the fee simple of the property subject to and with the benefit of the 22-year-10-day lease. On December 12, B company executed a deed guaranteeing the payment to the society by A company of the annual rent of £42,450 reserved by the 22-year underlease and charging its freehold reversion with payment thereof. On December 13, A company, by deed, indemnified the society against the payment of stamp duties and penalties. The object of these several transactions was to avoid the payment of greater stamp duty.

Company A appealed against assessments to *ad valorem* stamp duty amounting to (1) £8,000 on the deed of assignment dated December 9, on the ground that it was exempted from duty by Section 42 of the Finance Act, 1930, and was not deprived of that exemption by Section 50 of the Finance Act, 1938; and (2) £16,978 on the deed of exchange dated December 11, on the ground that it should be assessed under the head of charge "exchange or excambion (exchange of lands)" and not "conveyance or transfer on sale."

Danckwerts, J., said that under the Act of 1891 the assignment of December 9 would have been a conveyance and would have attracted the appropriate duty; but he had to consider whether the

claim of A company that it was exempted by virtue of Section 42 of the Act of 1930 (as amended by Section 50 of the Act of 1938) was correct. There was no doubt that A company was the beneficial owner of not less than 90 per cent. of the issued share capital of B company, so that the two companies came within the provisions of Section 42 (2) (b) (i) of the 1930 Act. But the real question was: what is the meaning of "conveyance" (in the relevant charging enactments)? It was clear from the authorities that the word was sometimes capable of including a lease but was sometimes used in the more limited sense of the transfer of real estate to some other person. On the whole he had come to the conclusion that, for the purposes of the present case, a lease was a conveyance and a person who granted a lease was a conveying party. The lease of December 8 was thus a conveyance and accordingly, at the date of the assignment of that lease by company A to company B on December 9, the beneficial interest in the property in question was previously conveyed by a person not associated with either A company or B company within Section 50 of the 1938 Act; and the assignment of December 9 was not therefore exempted from stamp duty by virtue of Section 42 of the Finance Act, 1930.

Referring to the deed of exchange, his Lordship said that it involved a straightforward exchange of the freehold property for a term of only 22 years and 10 days, but that term was a valuable property which carried with it the benefit of the underlease and a rent of £42,500 per annum. There was no suggestion that the values were unequal and no provision for the payment of a sum by way of equality of exchange. There was nothing which amounted to a preceding contract of sale between the society and B company or which suggested that the transaction of December 11 was a sale. It was impossible to say that in reality it was not an exchange, and the deed of exchange was accordingly liable to stamp duty of 10s. only.

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Tax Cases— Advance Notes

PRIVY COUNCIL (Lord Tucker, Lord Denning and Lord Morris of Borth-y-Gest)

Ralli Estates Ltd. v. Commissioner of Income Tax. January 30, 1961.

The appellant company acquired from the Government of Tanganyika the right of occupancy of two sisal estates for a period of ninety-nine years, for (i) a rent of 2s. per acre per annum, (ii) a premium of £311,000 and (iii) a royalty on the sisal exported.

The royalty was payable on every ton of sisal exported, at a figure depending on its f.o.b. price, but no royalties at all were to be payable after 19,397 tons had been exported, or the sum of £174,600 paid. The figure of 19,397 tons was an estimate of the "line fibre . . . which would be recovered from the . . . sisal growing on the estate at the time of the sale." There was no evidence to show how the £174,600 was arrived at. In the event the f.o.b. price of the sisal was so high during the whole relevant period that the sum of £174,600 was paid long before 19,397 tons of sisal had been exported.

The appellant company contended that the royalty was a fluctuating payment which "rose and fell with the chances of the business," and was there-

fore revenue expenditure. The Privy Council held that, no matter how this payment was described, it was simply part of one composite payment of £455,600 (£311,000 plus £174,600) for the total net capital value of the right of occupancy. It was not at all comparable to the annual rent of 2s. per acre, for it was payable for an indeterminate period, probably of only a few years' duration, at the beginning of the occupancy. Nor, in the absence of evidence, could the sum paid be attributed to the fibre growing at the time of the sale, in which case it would be a payment on account of trading stock. It followed, therefore, that it could only be a capital payment which was not deductible for income tax.

HOUSE OF LORDS (Viscount Kilmuir, Lord Denning, Lord Morris of Borth-y-Gest and Lord Hodson)

Trustees of Tollemache Settled Estates v. Coughtrie (H.M.I.T.). February 13, 1961.

Their Lordships dismissed the taxpayer's appeal from the decision of the Court of Appeal (see ACCOUNTANCY for June, 1960, page 357) and held that Section 175 of the Income Tax Act, 1952, applied, so that the assessment of the royalties from a sand pit should be based on the actual royalties received in the year of assessment.

COURT OF SESSION (Lord Clyde, Lord Carmont, Lord Sorn and Lord Guthrie)
North of Scotland Hydro-Electric Board v. C.I.R. December 2, 1960.

On April 1, 1948, the whole undertaking of the Grampian Electricity Supply Co. was vested in the appellant Board by virtue of the Electricity Act, 1947. It was not disputed that if the Grampian Company had continued its undertaking and incurred costs for deferred repairs it would, by the Finance Act, 1947, Section 37, have become entitled to relief from Excess Profits Tax, which, by Section 36 of the Act, was abolished from December 31, 1946. The purpose of the relief was to allow for repairs which but for war-time conditions would have been made during the time that Excess Profits Tax was imposed. The Finance Act, 1939, Section 16 (1), provides that for this tax a trade should be treated as discontinued on any change in the persons carrying it on, whereas Section 37 of the Finance Act, 1947, provides that the relief can be claimed only by a person who was carrying on the trade in the chargeable accounting period ending on December 31, 1946, and who actually incurs the costs of the repairs. The appellant Board,

which clearly was not carrying on the trade at any time in 1946, but which did pay the cost of the deferred repairs, was *prima facie* disqualified from claiming the relief, but claimed it, none the less, on the basis of the Electricity Act, 1947, Section 14 (2) (iii) and (3), which provided that there should vest in the appellant Board "all rights and liabilities [of the Grampian Co.] in respect of . . . excess profits tax." The Court of Session found that that enactment could not apply, because the Grampian Company, not having incurred any costs of repairs, had no right capable of being transferred. Moreover, on the vesting of the undertaking on April 1, 1948, any right to claim relief was extinguished and a new trade was deemed to have started. In fact, the benefit conferred by Section 37 is by its very nature incapable of being transferred.

COURT OF SESSION (Lord Clyde, Lord Carmont and Lord Guthrie)

C.I.R. v. Lithgows Ltd. December 2, 1960.

The appellant company sold two ships to the Nile Steamship Company Ltd. at a price less than what would have been paid if the two companies had been independent persons dealing at arm's length. The majority of the shares of each company was held by the trustees of two quite distinct deeds of provision, but the first named trustee in both deeds was the same person. Because of this the Inland Revenue argued that Section 469 (1) of the Income Tax Act, 1952, applied, and that the sale should be treated as if it had been made between independent persons dealing at arm's length. What Section 469 (1) requires is that both the bodies corporate should be controlled by the same person, and "control" is as defined in Section 333 (1) of the Act. This requires "the power of a person to secure . . . that the affairs of the . . . [bodies] corporate are conducted in accordance with [his] wishes. . . ." It was argued that the first-named trustee could carry a resolution in defiance of his co-trustees, but the Court of Session held that this was insufficient for the statutory definition. For one thing, the other trustees would be able to secure that the first-named trustee ceased to be such, and that the resolution be thereby cancelled; for another, the statutory definition envisaged something much more general than the mere power to carry a resolution: in this case, in contrast to other cases under the Income Tax Acts, voting control was not sufficient of itself. Section 469 (1) did not therefore apply.

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The Month in the City

More Buoyant Markets

If one had to choose a single factor to account for the greater firmness of the stock market during last month, it would be the very substantial measure of success attending Mr. Kennedy's effort to rehabilitate the dollar and to convince the American public that recovery is on the way. But this, attended as it has been by a rise in New York money rates, has had the unfortunate effect for this country that sterling has been at its lowest since early November, 1957, and it has also meant some shortage of money market funds and an appreciable rise in the Treasury Bill rate. A belief that recovery will come soon in the United States helps to account for a more rapid increase in the prices of British industrial Ordinary shares. It has been stimulated by the hope of increased exports and by evidence of a modest rise in industrial output. The troubles in Africa must have had some effect on markets even beyond the stocks immediately affected; coupled with the disappearance of hopes of any early rise in the United States price for gold, they account for an eight point fall in the gold mining share index.

The other developments of the month are concerned more with the fixed interest end of the market. Official selling of the Funds has been largely switched from medium-dated stocks to "shorts," partly in preparation for the issue of steel Preference and prior charge stocks. The result has been a slight rise in the index for the Funds, a considerably larger fall in that for other fixed interest stocks and a slowing down of the rate of divergence between the yields from Old Consols and from the equities of the *Financial Times* index. Although the irredeemable stocks have been out of favour, less than a quarter of the increase in margin during February was attributable to a fall in the price of Old Consols, whereas in January it accounted for half the increase. After considerable fluctuations, the course of prices, as reflected in the indices of the *Financial Times*, was between January 31 and February 28, as follows: rises in Government securities from 78.42 to 78.47 and in industrial Ordinary from 314.2 to 328.3; falls in fixed interest from 86.15 to 86.00 and in gold mines from 75.0 to 67.0. The margin between the yields on Old Consols and industrial Ordinary rose by 0.17 point (compared

with 0.22 in January) to 1.25, after touching 1.28 on February 7.

The Steel Issues

Full details of the offer of steel company Preference shares, debentures and loan stock were announced towards the end of February for subscription on March 2. The *Iron and Steel Holding and Realisation Agency* is disposing of a large part of its remaining holdings by offers of twelve stocks in seven leading companies to a total nominal value of about £105 million on terms which will yield some £85.3 million gross. The calls on this very large block are extended over some eight months, so that the monthly amount will be restricted to about £10.5 million. Of the whole some 67½ per cent. has been taken firm by sub-underwriters, leaving £28 million odd to be found by personal investors, small institutions and funds which do not underwrite. Gross redemption yields on the stocks range from £6 12s. to £6 15s. 7d. on the unsecured loan stock of *Dorman Long*, while on the Preference shares the running yields are a trifle over 7½ per cent. Of the seven companies *Consett* and *Steel Company of Wales* offer only debentures and *John Summers* and *Stewarts and Lloyds* only Preference shares, while *Colvilles*, *Dorman Long* and *United Steel* are relying on both forms of finance. From the standpoint of the authorities the sale is a convenient means of financing a part at least of the obligations undertaken towards the one large company still in Government hands, *Richard Thomas and Baldwins*, to assist in the erection of its continuous strip mill. The operation is being handled by a consortium of the leading issuing houses.

Odhams-Daily Mirror Deal

After several weeks of uncertainty the *Daily Mirror* group raised its bid for *Odhams* just after the middle of February, and a week later the Board of *Odhams* abandoned its opposition to the operation and Mr. Thomson withdrew his reverse bid, leaving the field clear to Mr. Cecil King. The *Daily Mirror* offer has been extended, in part to help the Stock Exchange to overcome difficulties arising from last-minute acceptances. The upshot of the fusion will be to give the new concern a virtual monopoly of women's periodicals, the prices of some

of which were already rising before the deal was complete. Two other results of the move were the appointment of a Royal Commission on the Press and an inquiry by the Council of the Stock Exchange, London, and the relevant body in Edinburgh into operations in *Odhams* shares on the two days before the *Odhams-Thomson* deal was announced. The committees set up in London and Edinburgh have now reported, and as a result communications have been sent by both Exchanges to the two companies involved. Such a step, while distinctly unusual, is not without precedent. No explanation of this action has been or will be provided, but the presumption is that the Boards of *Odhams* and *Thomson*, or one of them, should take action on the report, and it may well be that the action taken should be made public.

More Fusions

The process of concentration and diversification of British industry was carried further during February, starting with a project for a tie-up between *Colvilles* and the American *Republic Steel* group. At about the same time the *United Breweries*, of Canada, made a bid involving some £15 million for *Bristol Brewery Georges*, which a week later was capped by an offer of £18 million from the *Courage, Barclay, Simonds* group. In the middle of the month full terms of the *Kleinwort-Benson Lonsdale* fusion were released and shortly afterwards the *Cotton-Clore* offer for the *City of London Real Property* was withdrawn, but that for *Manchester Royal Exchange* became unconditional. Some smaller operations were announced and at the end of the month the *General Electric Company* made an offer of £8.6 million for *Radio and Allied (Holdings) Ltd.*, makers of *McMichael* and *Sobell* radio and television sets. This last is in line with the G.E.C. new policy of pushing ahead with the supply of domestic equipment. News in the field of new opportunities for investment includes the introduction of the shares of *Kunden-Kreditbank A.G.*, one of the largest Continental hire purchase concerns; a project to make available units of the *Keystone Growth Fund K2* of Boston; the issue of part of the Ordinary capital of *Jaeger*, which was very heavily oversubscribed; and, as a more distant operation, the news that *Imperial Chemical Industries* is to set up a works in Holland at a total cost of some £100 million, on the lines of *Wilton* but without oil cracking facilities.

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Points From Published Accounts

English China Clays

The accounts of *English China Clays Limited* for the year ended September 30, 1960, which are reproduced this month, are presented with what many will regard as a reasonable balance between the information set out in the balance sheets and the profit and loss account and that contained in the accompanying notes.

The balance sheets of the holding company and of the group appear on the next page. The consolidated profit and loss account and the notes on the accounts are given below.

Under the heading "Current Liabilities" the holding company's balance sheet shows what at first sight appears, in part at least, to be an unusual item: "Amounts due to subsidiary companies

and stock provisions." Presumably these stock provisions are required to eliminate inter-company profits which have arisen from stock transactions between subsidiaries, because the holding company itself has no stocks. In the consolidated balance sheet stocks are described as "valued by the companies' officials." It will be interesting to follow up the changes in this company and any others to descriptions on the lines suggested in the Institute's recent Recommendation (No. 22) on Stock-in-trade and Work in progress.

The description in the profit and loss account "Taxation on profits for year, subject to agreement" is a useful reminder to shareholders that at this

ENGLISH CHINA CLAYS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT, YEAR TO 30th SEPTEMBER, 1960

	£	£	1959	£
BALANCE ON TRADING ACCOUNT BEFORE DEPRECIATION, TAXATION, ETC.		4,294,249		4,128,482
Deduct:				
Auditors' Remuneration	11,741		9,955	
Goodwill on acquisition written off	2,750			
Depreciation and Amounts written off Plant, Machinery and Sundry Properties	993,583		834,233	
		1,008,074		844,188
PROFIT OF GROUP FOR THE YEAR BEFORE TAXATION		3,286,175		3,284,294
Deduct:				
Taxation on Profits for year, subject to Agreement:				
United Kingdom Profits Tax	305,163		301,550	
United Kingdom Income Tax	992,517		1,139,120	
Overseas Taxation (Net after Reliefs)	41,963		41,079	
	1,339,643		1,481,749	
Relief in respect of Investment Allowances transferred to Capital Reserve	242,627		81,613	
		1,582,270		1,563,362
PROFIT OF GROUP FOR THE YEAR AFTER TAXATION		1,703,905		1,720,932
Add:				
PROVISIONS FOR UNITED KINGDOM TAXATION NO LONGER REQUIRED				102,098
				1,823,030
Add:				
BALANCES BROUGHT FORWARD:—				
English China Clays Limited	756,451		653,309	
Subsidiary Companies	53,635		4,690	
		810,086		657,999
		2,513,991		2,481,029
TRANSFERS TO RESERVES:—				
English China Clays Limited:				
General Reserve	852,756		1,000,000	
Taxation Equalisation Reserve	35,346		116,000	
		888,102		1,116,000
		1,625,889		1,365,029
DIVIDENDS PAID OR PROPOSED TO BE PAID (NET):—				
Preference Capital	55,320		55,320	
Ordinary Capital	616,678		499,623	
		671,998		554,943
BALANCES CARRIED FORWARD:—				
English China Clays Limited	894,388		756,451	
Subsidiary Companies	59,503		53,635	
		£953,891		£810,086

NOTES ON ACCOUNTS

1. **Capitalisation of Reserves and Bonus Issue**
The increase in paid-up Ordinary share capital of £1,141,997 arises from the capitalisation on 16th March, 1960, of the balance of £789,241 on share premium account and of £352,756 from the general revenue reserve at 30th September, 1959.

2. **General Capital Reserve**
The increase from £83,724 to £350,139 represents taxation relief in respect of investment allowances and also capital profits made by subsidiary companies.

3. **Revenue Reserves**
(a) **General**
The increase of £500,000 arises from the transfer from Profits and Loss Account of £852,756 less amount capitalised therefrom of £352,756 per Note 1.

(b) **Staffs' and Workmen's Welfare Reserve**
During the year welfare payments amounting to £44,309 have been paid by the group and written off against profits, thereby maintaining the reserve.

4. **Commitments**
Commitments of the group at 30th September, 1960, for capital expenditure amounted to approximately £850,000.

5. **Contingent Liabilities**
A continental subsidiary company has a contingent liability for bills discounted of £11,227.

6. **Depreciation**
No provision has been made for depreciation of freehold and leasehold properties by certain subsidiary companies, as none is considered necessary.

7. **Taxation**
Each subsidiary company has been charged with its appropriate liability to income tax and profits tax, and English China Clays Limited has assumed the responsibility for payment of all current and future taxation of the group in respect of the year to 30th September, 1960.

	From English China Clays Limited		From Subsidiary Companies	
	1960	1959	1960	1959
Directors' Fees	6,046	5,362	—	—
Remuneration as Managers	6,000	2,460	16,284	17,027
Contributions to Executive Directors' Pension Fund	—	—	701	496
Payments to Former Executive Directors: Pensions	—	—	2,917	2,250
Under Deed of Covenant	—	—	3,000	3,000
	£12,046	£7,831	£22,902	£22,773

No fees are payable to directors acting as managers.

ENGLISH CHINA CLAYS LIMITED BALANCE SHEET AS AT 30th SEPTEMBER, 1960

	£	£	1959	£	£	1959	£
SHARE CAPITAL:—							
Authorised:—							
2,000,000 5½ per cent. Cumulative Preference Shares of £1 each	2,000,000		2,000,000				
10,000,000 Ordinary Shares of £1 each	10,000,000		10,000,000				34,000
Issued and Fully Paid:—							
5½ per cent. Cumulative Preference Shares of £1 each	1,642,143		1,642,143				
Ordinary Shares of £1 each (Note 1)	6,851,979		5,709,982				4,059,050
CAPITAL RESERVES:—							
Share Premium Account (Note 2)	—	8,494,122	789,241				3,252,367
General (Note 2)	350,139		83,724				7,311,417
REVENUE RESERVES:— (Note 3)							
General Reserve	4,500,000		4,000,000				6,002,448
Staffs' and Workmen's Welfare Reserve	75,000		75,000				13,313,865
PROFIT AND LOSS ACCOUNT							
Shareholders' Funds							
FUTURE INCOME TAX ON PROFITS EARNED TO DATE							
Taxation Equalisation Reserve	1,515,000		1,582,000				1,089,629
CURRENT LIABILITIES:—							
Amounts due to Subsidiary Companies and Stock Provisions	88,607		76,184				1,593
Sundry Creditors	105,837		70,750				3,857
United Kingdom Taxation	886,000		823,000				1,050,000
Dividends (Net):—							776,971
Preference, half-year to 30th September, 1960 (since paid)	27,660		27,660				2,922,050
Proposed Final Dividend on Ordinary Shares	445,379		356,874				
	1,553,483		1,354,468				
	<u>£17,718,884</u>		<u>£16,294,415</u>				<u>£16,294,415</u>

Signed on behalf of the Board

JOHN KEAY,
ABERCONWAY, } Directors.

ENGLISH CHINA CLAYS LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET AS AT 30th SEPTEMBER, 1960

	£	£	1959	£	£	1959	£
SHARE CAPITAL OF ENGLISH CHINA CLAYS LIMITED							
Authorised:—							
2,000,000 5½ per cent. Cumulative Preference Shares of £1 each	2,000,000		2,000,000				
10,000,000 Ordinary Shares of £1 each	10,000,000		10,000,000				
Issued and Fully Paid:—							
5½ per cent. Cumulative Preference Shares of £1 each	1,642,143		1,642,143				
Ordinary Shares of £1 each (Note 1)	6,851,979		5,709,982				
CAPITAL RESERVES:—							
Share Premium Account	—	8,494,122	789,241				
General	350,139		83,724				
REVENUE RESERVES:—							
General Reserve	4,500,000		4,000,000				
Staffs' and Workmen's Welfare Reserve	75,000		75,000				
PROFIT AND LOSS ACCOUNT							
Shareholders' Funds							
FUTURE INCOME TAX ON PROFITS EARNED TO DATE							
Taxation Equalisation Reserve	1,536,778		1,600,971				
CURRENT LIABILITIES:—							
Amounts due to Subsidiary Companies and Stock Provisions	88,607		76,184				
Sundry Creditors	105,837		70,750				
United Kingdom Taxation	886,000		823,000				
Dividends (Net):—							
Preference, half-year to 30th September, 1960 (since paid)	27,660		27,660				
Proposed Final Dividend on Ordinary Shares	445,379		356,874				
	1,536,778		1,354,468				
	<u>£17,718,884</u>		<u>£16,294,415</u>				<u>£16,294,415</u>

Signed on behalf of the Board

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stage such figures are of necessity merely the best estimates possible, and that some adjustments may have to be made subsequently. In reasonably straightforward cases these adjustments are generally small and relatively unimportant, though the comparative figures in the present case, which show a release of over £100,000 in the previous year, indicate that large variations do sometimes arise.

English Electric

Returning to the description of stocks, the recently issued accounts of *The English Electric Company Limited* include in the group balance sheet the formidable total of £110,208,220 for stocks and work in progress. From this is deducted £48,489,425 for payments

received on account. One of the notes on the accounts states: "the amount included for stock and work in progress has been determined for the balance sheet on bases and by methods of computation which are considered appropriate in the circumstances of the business of the company and which have been applied consistently." This wording follows very closely that suggested by the Institute in its recent Recommendation for cases where a more concise description cannot be used.

Tate & Lyle

The accounts of *Tate & Lyle Limited* carry the art of condensation a very long way. The consolidated profit and loss account occupies one sheet of print and is followed by one sheet of notes. Then

the balance sheets of the holding company and of the group, together with the necessary comparative figures, occupy one more sheet consisting of main totals only, followed by four sheets of explanatory schedules and notes.

Hall-Thermotank

The consolidated profit and loss account of *Hall-Thermotank* contains what can only be described as a very unusual item. This is a receipt of £100,000 from the then chairman of the company, which is stated to have been provided by him to neutralise the effect of certain unexpected losses which had been incurred in the United States of America at the time when, for domestic reasons, he became obliged to relinquish the chairmanship.

Legal Notes

Company Law

Winding-up Order Opposed by Majority of Creditors

Two further cases on this topic, sequels to *In re Vuma Ltd.* [1960] 1 W.L.R. 1283, which was mentioned in ACCOUNTANCY for January (pages 5 and 44), are *In re P. & J. Macrae Ltd.* [1961] 1 W.L.R. 229 and *In re A.B.C. Coupler and Engineering Co. Ltd.* [1961] 1 W.L.R. 243. They are the subject of a Professional Note in the February issue (page 61).

Contract and Tort—

Negligence—

Remoteness of Damage—"Polemis" No Longer Law

In the vital case of *Overseas Tankship (U.K.) Ltd. v. Morts Dock and Engineering Co. Ltd. (The Wagon Mound)* [1961] 2 W.L.R. 126 the Privy Council has brought the law of liability to make compensation for a tort into line with that of liability to make compensation for a breach of contract (and, incidentally, into line with the law of Scotland). See ACCOUNTANCY, February, pages 62-63.

Contract and Tort—

Negligence—

Passenger's Duty to Take Care of Himself

A novel point arose in the running-down action of *Dawrant v. Nutt* [1961] 1 W.L.R. 253. The plaintiff was passenger in a motor-cycle combination after dark. The vehicle was not exhibiting any light at all in front and a collision ensued with the defendant's motor car. The plaintiff was injured and sued the defendant in negligence. The defendant alleged that the plaintiff's own negligence had contributed to the accident, and so the question arose whether a passenger who is aware of the dangerous condition of the vehicle carrying him and in that knowledge continues to ride as a passenger is in breach of his duty to other users of the road and consequently negligent. Stable, J., held that whether you are a passenger or a driver you owe the same duty to other users of the highway to take reasonable care of yourself, that is, to ensure that you yourself do not suffer injury. Having held that the injured passenger was negligently in breach of this duty of

care to other road users and in particular the defendant, he then considered whether, given that the state of knowledge of the driver of the dangerous vehicle and his passenger was identical *vis-à-vis* a third person (here the defendant), the proportion of negligence that must be laid at the door of each of them was identical. He held that the proportion was variable, and that each case must be considered on its individual facts. He found this particular plaintiff one-quarter to blame for her injuries.

Executorship Law and Trusts—

Charity—

Validation of Imperfect Trust Provision

The question for decision in *In re Wykes, decd.* [1961] 2 W.L.R. 115 was whether a will trust was validated by the Charitable Trusts (Validation) Act, 1954. That Act contains provisions to validate and to restrict to charitable objects so-called "imperfect trust provisions" occurring in instruments taking effect before December 16, 1952.

In Section 1 an "imperfect trust provision" is defined as "any provision declaring the objects for which property is to be held or applied, and so describing those objects that, consistently with the terms of the provision, the property could be used exclusively for charitable purposes, but could nevertheless be used for purposes which are not charitable." The relevant words

of the will disposed of "part to the Board of directors of E. Wykes (Leicester) Ltd. to be used at their discretion as a benevolent or welfare fund or for welfare purposes for the sole benefit of the past, present and future employees of the company." Buckley, J., reflected that it would be consistent with this disposition to apply all the

funds for the relief of poverty among the appropriate persons, which would be a charitable purpose. It was, however, argued with the support of an *obiter dictum* from Harman, J., that an "imperfect trust provision" must declare the objects of the trust in such a form as to include by express reference some legally charitable purpose as well as

other non-charitable purposes. If this criterion obtained the disposition would not be validated by the Act. But the Judge held that the natural meaning of the words of the Act was clear and would not admit of this construction, so that the disposition in the will was validated and confined to charitable purposes.

An Accountant's Guide to Recent Law

STATUTORY INSTRUMENTS

No. 72 (L.1). Non-Contentious Probate (Amendment) Rules. If oath of applicant for grant states where deceased died domiciled, this statement may be included in the grant.

No. 112. Exchange Control (Authorised Dealers and Depositaries) (Amendment) Order. Further amending list.

Draft. Double Taxation Relief (Taxes on Income) Faroe Islands Order.

No. 127. Trade Marks (Amendment) Rules. Increasing fees payable for applications, etc.

No. 137. National Insurance (Non-participation—Benefits and Schemes) Amendment Regulations. Providing recognition of pensions schemes established by enactments having force of law in any part of Commonwealth outside U.K.

No. 138. National Insurance (Non-participation—Continuity of Employment) Regulations. Prescribing conditions for treating a non-participating employment as continuing notwithstanding a change of employer.

No. 152. Tribunals and Inquiries (Revenue Tribunals) Order. Requiring Special Commissioners to furnish statement of reasons for their decision if requested in any case in which rehearing by tribunal may be required.

No. 177. Opencast Coal (Rate of Interest on Compensation) Order. Reducing rate to 5½ per cent.

No. 181. Exchange of Securities Rules. Procedure for acceptance of offer to exchange 2½ per cent. Funding Loan 1956/61 for 5½ per cent. Exchequer Stock 1966.

No. 225. Charities (Methodist Church) Regulations. Enabling land held upon the model trust deeds mentioned in the Schedule to be sold without order of the court.

DECISIONS OF THE COURTS

Charity

Bequest validated by Charitable Trusts (Validation) Act, 1954, as "imperfect trust provision" since estate could be applied for a charitable purpose notwithstanding that it could also be used for non-charitable purposes.

In re Wykes deceased. (2 W.L.R. 115.) See page 171.

Company

Opposition by majority of creditors to judgment creditor's petition for compulsory winding up not of itself sufficient to require Judge to exercise his discretion in their favour.

In re P. J. Macrae Ltd. (1 W.L.R. 229.) See ACCOUNTANCY, February, page 61.

But, though not conclusive, the wishes of a majority possessed great weight, and where they were reasonable the court ought to follow them in the absence of special circumstances.

In re A.B.C. Coupler & Engineering Co. Ltd. (1 W.L.R. 243.) See ACCOUNTANCY, February, page 61.

Contract

Carriage of goods for reward in vehicle with "C" licence only whereas an "A" licence was required. This defect was known only to defendants. Held, that the contract was not *ex facie* illegal.

Archbalds (Freightage) Ltd. v. S. Spanglett Ltd. (2 W.L.R. 170.)

Mortgage

Option to transferee to purchase part of mortgaged property. Transaction carried out in separate documents. Whether option void as clog on equity of redemption.

Lewis v. Frank Love Ltd. (1 W.L.R. 261.)

Negligence

All users of the highway, whether drivers or passengers, owe a duty of care to all other users to take reasonable care for their own safety.

Dawrant v. Nutt. (1 W.L.R. 253.) See page 171.

Decision in *Re Polemis* not followed. Foreseeability of consequences held to be the effective test of liability.

Overseas Tankship (U.K.) Ltd. v. Morts Dock & Engineering Co. Ltd. (2 W.L.R. 126.) See ACCOUNTANCY, February, pages 62–63.

Passing Off

"Champagne" meant in U.K. wine produced in the Champagne district of France and had never come to mean a type of wine. The des-

cription "Spanish champagne" would be likely to mislead.

J. Bollinger v. Costa Brava Wine Co. Ltd. (No. 2). (1 W.L.R. 277.)

Practice

Defendant limited company was wrongly described in writ as a firm. As firm and company were two separate entities and there was nothing on the writ to indicate that it must have been intended for the company, amendment could not be allowed for substitution of new party and the claim against the company was statute-barred.

Davies v. Elsby Bros. Ltd. (1 W.L.R. 170.)

Probate

In absence of a special application, statement of domicile will be included in the grant as a matter of routine if it is included in the oath.

Practice Direction (Probate Division). (1 W.L.R. 253.)

Settlement

Court has jurisdiction under Section 25 of Matrimonial Causes Act, 1950, to vary a marriage settlement so as to confer a benefit on a child who was a stranger to the settlement, provided the variation also conferred adequate benefit on the natural children of the marriage interested in the settlement.

Purnell v. Purnell. (2 W.L.R. 185.)

Trust

Trust for accumulation of income during settlor's life showed intention in conflict with power of advancement conferred by Section 32 (1) of Trustee Act, 1925.

Inland Revenue Commissioners v. Bernstein. (2 W.L.R. 143.)

"Protected" converted into "absolute" life interest.

In re Burney's Settlement Trusts. (T.N. February 23.)

ARTICLES

	Law Times Vol. 231, page
"Survivors" and "Surviving" ..	75
Payment of Wages during Illness ..	87
The Illegitimate and Property ..	89
	Solicitors' Journal Vol. 105, page
Is the Trustee Investments Bill Practical? ..	96
Private Companies and their Exemption ..	118
Rule of Convenience ..	142

ABBREVIATIONS USED

All E.R.—The All England Reports.

T.N.—The Times Newspaper.

W.L.R.—The Weekly Law Reports.

Note: Taxation cases and articles excluded.

Publications

British Industry: Change and Development in the Twentieth Century. By J. H. Dunning, B.Sc.(ECON.), and C. J. Thomas, B.Sc., M.Sc.(ECON.). Pp. 232. (Hutchinson: 30s.)

THE AUTHORS STATE that their book is intended for both the general reader and first and second year economics students. It describes the impact of some of the more important technical developments in British industry over the last half-century in the light of their effect on the economy as a whole. The field is, of course, immense, but within the scope of their comparatively short book the authors have done the subject justice.

The opening chapter summarises the failure of the traditional British exporting industries, upon which the wealth of the nation had largely been founded in the nineteenth century, to adapt themselves to changes in trading conditions after the first world war. One or two of the facts elicited may be surprising. We are reminded, for instance, that British industrial output rose by about 50 per cent. between 1923 and 1937, despite the impact of world recession. A later chapter, on developments in industrial structure, takes a sharp look at changes in ownership patterns over the last fifty years. The private investor, it is pointed out, is insignificant compared with the size of governmental and institutional investors. "It may be fairly assumed," say the authors coolly, "that the separation between ownership and control in industry is as pronounced today as at any previous time." So much, it seems, for the legend of a share-owning democracy.

Perhaps the best chapter deals with *Research, Development and Trained Manpower*. The importance of innovation in modern industrial societies is well understood as a prime factor in growth (half the increase in output in the last year or two in the British chemical industry, for instance, is estimated to be attributable to products not available before 1955). Observers often bemoan the fact, however, that too little innovation originates in Britain. Or, alternatively, it is said that successful primary research is carried out here, but commercial exploitation elsewhere. These complaints ignore the economic reality that primary research is much less expensive than development expenditure

(a quarter of a century ago du Pont spent \$45 million on developing the commercial potential of nylon: modern expenditures, on aero engines for instance, would dwarf this). The authors point out that Britain is not in a position to afford such costs, since her available market for recouping them is much smaller than that of the United States, for example. (There are important implications here for Britain's industrial future if she is forced to remain outside the Common Market.) It may, in short, be good business for Britain to pay royalties for the use of processes developed at considerable expense elsewhere. A factor which is often ignored is that a satisfactorily negotiated licence agreement can turn what would otherwise be a high-risk fixed charge (for research and development expenditure) into a largely variable one (geared to sales or production) with correspondingly less danger of loss in the event of unexpected obsolescence. Since the war thousands of small and medium-sized British firms have operated modern processes advantageously by the astute negotiation of suitable licence agreements on this basis, and have used their cost advantage over American rivals to compete effectively overseas.

Here and there the book shows signs of strain, attributable no doubt to lack of space. Reference to the Packman potato harvester developed by the Department for Scientific and Industrial Research might have included a note of its fate (it proved unable to cope with really wet British winters) to balance against the success of the Hovercraft, and incidentally make the point that research expenditure alone is no guarantee of successful and profitable innovation.

The statement that some of Britain's post-1918 industrial troubles were attributable to the burden of taxation needs elucidation in the light of tax levels today, and some of the tables might be more concisely and accurately headed; but these are perhaps minor flaws in a book which usefully surveys a large field in a stimulating manner.

J.M.R.

The Foreign Tax Credit. By Elisabeth A. Owens. Pp. xxxi + 634. (Law School of Harvard University, Cambridge 38, Mass., U.S.A.: \$20.)

THIS BOOK OF 634 pages (including index but excluding preliminary matter) is a very detailed examination of the United States Code and treaty law on credit for taxation of other countries against

United States taxes on the same income. It starts with a general survey of the basic tax credit rules and of the tax and business decisions involved in using foreign tax credit to the best advantage. It then goes on to analyse in detail the calculation and tax consequences of the indirect credit for taxes paid by foreign subsidiaries; the computation and operation of the limitation on the credit; the time that the credit may be taken; who is entitled to credit; the rate of exchange to be used; the credit for resident aliens; and the effect of income tax claims on the credit. The final chapter gives the reader a perspective on the place of the credit in United States income tax law dealing with income from foreign sources. There is also discussion on the purpose and effectiveness of the foreign tax credit, which serves as a valuable guide to an understanding of the technical application of the provisions.

To anyone having to deal with United States tax the book will be found to be of great practical assistance and will be useful in other countries for considering the whole problem of double taxation. The book includes existing law and decisions up to August 15, 1960, and in addition an appendix describes amendments which became law on September 14, 1960. This is understood to be the first intensive study made of United States tax credit.

H.A.R.J.W.

"Taxation" Key to Income Tax 1960/61. Fiftieth edition. Edited by Percy F. Hughes. Pp. 223. (Taxation Publishing Company: 11s.)

"Taxation" Key to Profits Tax. Sixth edition. Edited by Percy F. Hughes. Pp. 335. (Taxation Publishing Company: 12s. 6d.)

ONCE AGAIN NEW editions of these well-known works are with us. Most practitioners will be familiar with them. To those who are not, it is worth pointing out that they are very different in scope, albeit similar in name. The *Key to Income Tax* is highly compact, a masterpiece of condensation, containing such useful features as a table of wear and tear allowances and tables for grossing up and for calculating tax at reduced and standard rates. Its main use is as an *aide-memoire* for the busy adviser who knows his subject.

In the *Key to Profits Tax*, by reason of the more limited field, the compiler is enabled to spread himself more, and the result is a book which can be recommended to students as well as to those merely requiring to refresh their

memories. For the latter class a most useful feature is the reproduction *in extenso* of the relevant legislation.

Both these books are commendably accurate and low priced.

J.L.M.

The Quantum of Damages. Volume 1, Personal Injury Claims. Second edition. By David A. McI. Kemp, Barrister-at-Law; Margaret Sylvia Kemp, solicitor; and C. J. C. McOustra, Barrister-at-Law. Pp. xxxv+743. (*Sweet & Maxwell*: 63s.)

THIS USEFUL BOOK first appeared in 1954, and the second edition is welcome both because much of its value lies in being up to date and because the authors have revised the layout and contents so as to make a larger amount of information more easy to refer to. By subdividing chapters in the first edition and by adding quite new ones, the part of the book given over to classified awards has been increased by sixteen chapters. Each of these chapters is now headed with a table summarising the awards that follow. Another useful innovation is a series of diagrams of the human body.

It is a pity that statistics of the fall in the value of money are no longer given and, in a book otherwise so well annotated and supplied with cross-references, it is surprising to find that the Table of Cases is no help to someone who can only remember the name of a defendant. However, this book will undoubtedly continue to be of the greatest assistance to all who are concerned to know how an injury is to be translated into a sum of money.

M.I.T.

The Future of Purchase Tax. By A. R. Prest, Ph.D. Pp. 39. (*Barrie and Rockliff* for the Institute of Economic Affairs: 3s. 6d.)

THIS BOOKLET IS *Hobart Paper* 8, a publication of the Institute of Economic Affairs, which was formed in 1956 as an educational trust to spread understanding of basic economic principles. The booklet re-examines the origins, practice and effects of purchase tax and offers recommendations for policy.

It deals with the principles of taxation and considers the possible alternative of (a) abolition, (b) turnover tax, (c) retail-stage tax.

The administrative implications and economic aspects are discussed, and the conclusion reached is that there is a case for retaining a tax applying to a

wide range of goods as a permanent feature of the fiscal system. This does not imply that the present amount of revenue should be raised in this way indefinitely, but simply that some revenue should be of this form. The arguments for having a tax at one stage in the process of production and distribution rather than a general tax on turnover are "quite conclusive." Whether the tax should be based on wholesale or retail values is a much more open question. On economic grounds, it is clear that a retail-stage tax would be superior to the present wholesale-stage tax, but as far as administration is concerned there are arguments on both sides.

The transition to sales tax is discussed and the final conclusion reached that the administrative considerations, especially the much larger number of retailers than wholesalers, may preclude a general move in this direction at the moment. But it should be possible to make selective moves now towards a retail-stage tax, with the ultimate intention of going much further.

The booklet ends with a summary of tax and administrative implications, suggesting that the number of rates of tax should be reduced and the spread between them should be smaller, with less frequent changes in rates.

H.A.R.J.W.

The First Fifty Years, 1910-1960. By F. A. A. Menzler, C.B.E. Pp. x+166. (*Institute of Actuaries*: 25s.)

THE INSTITUTE OF Actuaries Students' Society was founded half a century ago, and in connection with the Golden Jubilee celebrations an appreciation of its work has been prepared and issued to members under the above title. The author chosen by the Committee to write the book was Mr. F. A. A. Menzler, C.B.E., a distinguished past-President of the Institute of Actuaries. A history of this nature could easily have been a dry distillation of committee minutes and a catalogue of events, but in the hands of the author, and through his intimate knowledge of the events and personalities involved, the available material has been transformed into a lively, interesting story.

Mr. Menzler begins by describing the scanty nature of the tuition facilities available to the actuarial student in 1910. The first recorded suggestion for the formation of a Students' Society appears in a report to the Council of the Institute from Stuart Macnaghten, at that time a tutor for Part II of the

official syllabus. As well as being an actuary, Macnaghten was a chartered accountant, and his knowledge of the work of the Chartered Accountant Students' Society of London in providing tuition facilities for accountancy examinations would no doubt have stimulated his suggestion. After dealing with the formalities involved in the establishment of the Society, Mr. Menzler goes on to describe the early assistance given to students at general meetings and the first steps along "The Stony Path to Textbooks."

Naturally, the main appeal of the book will be to actuaries, but members of other professions may well enjoy reading it and profit by some of the lessons from the past and suggestions for the future. Such chapters as "The Scope of the Profession," "Training, Research and Publicity," and those dealing with the emphasis to be placed on statistics should stimulate thought in other than actuarial fields.

A.A.T.

Exporting. By D. F. Taylor, M.I.E.X., and E. A. Rutland, A.C.I.S., M.I.E.X. (*English Universities Press*: 7s. 6d.)

A BOOK ON exporting should be particularly welcome, at a time when much debate and attention is focused on Britain's competitive position in world markets. It is, therefore, unfortunate that this latest volume in the Teach Yourself series appears inadequate for its declared intention, namely, the training of novices in the export trade. There is, as the authors write, "a great need for a book of reference which will cover as simply as possible" the procedures and difficulties likely to be encountered. But in this volume clarity and interest have been sacrificed to brevity. The bibliography provided in Appendix D may provide encouragement for the reader who is downhearted but not yet subdued.

M.J.W.

Revolution in Retailing. By Christina Fulop. Pp. 47. (*Barrie and Rockliff* for the Institute of Economic Affairs: 3s. 6d.)

IN HOBART PAPER No. 9, Mrs. Fulop has written an interesting account of the changes—often radical—that have taken place in recent years in British retailing. The changing pattern of the trade is discussed, and important and timely sections are devoted to voluntary chains and discount houses. In addition,

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This volume contains summaries of close on three thousand cases and it is a matter of moments to trace cases relevant to any particular facet of income tax law, either by means of the exhaustive Index or by referring to the material grouped under the appropriate section-heading of the legislation, while the ancillary matter (such as references to the relevant statements of the law as set out in major legal works, the comprehensive citations and annotations) completes the picture. Every case likely to be required for guidance on tax problems will be found in this single volume, to which supplements will be issued from time to time.

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there are welcome but controversial recommendations that the Shops Act and resale price maintenance be abolished. Mrs. Fulop argues that competition rather than control will best serve the interests of the consumer, and she argues strongly against the "protectionist" mentality of some parts of the retail trade.

M.J.W.

The District Auditor. By Leonard Mervyn Helmore. Pp. x+220. (*Macdonald and Evans*: 25s.)

THIS BOOK DESCRIBES the history, functions and scope of the District Auditor. It deals with the part played by this official in the scrutiny of the accounts of local authorities, and examines his powers of disallowance and surcharge. The book is of particular interest not only to students, but also to general readers and to officers and members of local authorities who come into contact with the district auditor and who may wish to know more about him.

Part I covers the history and development of the district auditor from 1844 to the present day. Part II deals with his appointment, functions and scope, describing his powers of surcharge and explaining the various legal decisions. Part III examines the position of the district auditor as auditor, as "watch-dog" and as "visitor," and also in his capacity as an inferior tribunal.

As the author suggests—if the book "helps local government electors to understand what their officer, the dis-

trict auditor, indirectly paid by them, does to protect their interests, it will have been worth while."

W.S.E.

Butterworth's Income Tax Digest. Pp. lxiii+453+73. (*Butterworth*: £3 10s. 0d.)

THIS IS A reprint of the title *Income Tax* from the revised edition of Volume 28 of the *English and Empire Digest*. Lawyers are very familiar with the *Digest* and (no doubt) it was with the needs of the accountancy profession in mind that this volume was reprinted. Great pains must have been taken in its preparation, but the reviewer is bound to admit to disappointment.

To start with, the table of cases is of paramount importance in a work of this character. For instance, one should be able to find *Gatehouse v. Vise* not only under "G" but under "V," as *Vise, Gatehouse v.* Many cases are quoted under both names, but by no means all.

Some important cases are apparently omitted—the reviewer being unable to find, for example, *Re Hanbury*—and several are quoted with no warning that their effect has been wholly or partly removed by legislation; for instance *C.I.R. v. Universal Grinding Wheel Co. Ltd.* and *Healex Investments Ltd. v. C.I.R.*

The arrangement of the parts of the book could have been much better. Cases such as *Cape Brandy Syndicate v. C.I.R.* would be more useful in the part dealing with Schedule D. Similarly, cases useful for profits tax purposes

could be included in the part relevant to that topic. There is surely little point in retaining a separate section on Excess Profits Duty, Excess Profits Tax and Corporation Profits Tax. It contains much dead wood. One hopes that there are young Inspectors of Taxes and, dare it be said, fledgling accountants, who have never heard of Section 24 (the "whisky cases" Section) of the Finance Act, 1943, or of standard profits.

The idea behind this book is excellent; unfortunately much more work was necessary for its revision.

J.L.M.

Books Received

The 1960 Income Tax Legislation in the Federation of Rhodesia and Nyasaland. By A. S. Silke, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.). Pp. 44. (*Sweet & Maxwell* for Juta & Co., Cape Town: 21s.)

Accountancy. By William Pickles, B.COM., F.C.A., F.R.S.A. Third edition. Pp. x+1419. (*Pitman*: 37s. 6d.)

The Directory of Opportunities for School Leavers, 1961. Pp. 288. (*Cornmarket Press*: 8s. 6d.)

Mathematical Puzzles and Diversions. By Martin Gardner. Pp. x+163. (*Bell*: 17s. 6d.)

Education Statistics, 1959-60. Pp. 35. (*Institute of Municipal Treasurers and Accountants and Society of County Treasurers*: 6s. post free.)

Stamp Duties. By F. Nyland, LL.B. Second (Cumulative) Supplement to Second edition. (*Butterworths*: Supplement, 6s.; combined price, 27s. 6d.)

Law of Banking. By Lord Chorley, M.A., Barrister-at-Law. Assisted by J. Milnes Holden, PH.D., LL.B., A.I.B. Fourth edition. Pp. xxviii+319. (*Pitman*: 35s.)

United Kingdom Financial Institutions. Second edition. Pp. 48. Central Office of Information Reference Pamphlet 24. (*H.M. Stationery Office*: 3s. 6d.)

Duties of a Company Secretary. By T. Bolton, A.C.I.S., and Percy F. Hughes, F.C.I.S. Second edition. Pp. xv+382. (*Secretaries Journal Ltd.*, 98 Park Street, London, W.1: 30s.)

A Record of Agricultural Policy, 1958-1960. By Edith H. Whetham and J. R. Horam. Pp. 57. (*Farm Economics Branch, School of Agriculture, Cambridge University*: 4s.)

Report on Farming, 1959/60. By F. G. Sturrock and P. G. James. Pp. 36. (*Farm Economics Branch, School of Agriculture Cambridge University*: 3s. 6d. post free.)

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The Student's Columns

CASES III, IV AND V OF SCHEDULE D

BRIEFLY, CASE III of Schedule D catches all interest and similar income arising in the United Kingdom which is not taxed at source, including discount on Treasury bills, small maintenance payments, etc. Some income from certain government securities is paid without deduction of tax (for example, interest on $3\frac{1}{2}$ per cent. War Loan and Defence Bonds; interest on other stocks if they were bought through the Post Office or if the interest paid does not exceed £2 10s. per half year) and is accordingly taxed under Case III.

The first £15 of interest on deposits by individuals in the Post Office Savings Bank or a seaman's savings bank, and on ordinary deposits with a Trustee Savings Bank or a Treasury-approved savings bank under a local Act is exempt from income tax: a husband and wife are each entitled to this exemption. (The amount exempted is liable to surtax as if it were a net sum after deduction of standard rate tax, that is, £15 becomes with income tax at 7s. 9d. £24 9s. 10d.)

The normal basis of assessment under Case III is the interest arising in the previous year of assessment.

The first assessment on a source under Case III is based on the actual income arising in the year of assessment. The word "arising" is important; the date of acquisition of the source does not matter. For example, if a bank deposit account was opened in February, 1960, and the interest credited was: June 30, £25, December 31, £23, the first assessment would be for 1960/61 and would be in the sum of £48.

The second assessment is based on the actual income of the second year of assessment, unless the income first arose on April 6 in the first year, when the basis is the income of the first year.

The first assessment to be based on the income of the previous year (this is normally the assessment for the third year of assessment) can be reduced to the actual income arising in that year, if a claim is made within six years after the end of the year of assessment.

Illustration:

A man deposited £1,000 with his bank on April 6, 1958, and was credited with interest as follows:

	1958	1959	1960
	£	£	£
June	9	10	11
December ..	12	10	15

The assessments would be: 1958/59 £21, 1959/60 £20, 1960/61 £20, 1961/62 £26.

Had the interest credited in 1960 been £18 only, then the assessment for 1960/61 (being the first on the preceding year basis) could be reduced to that amount.

If the account had been opened earlier than April 6, 1958, and interest had been first credited on that date, the amounts being the same in each year, the assessments would have been: 1958/59 £21, 1959/60 £21 reduced to £20, 1960/61 £20, 1961/62 £26.

On a cessation of a source, the assessment for the year of assessment in which the cessation takes place is based on the actual income arising in that year, and the Inland Revenue may increase the assessment for the penultimate year of assessment to the actual income arising in that (penultimate) year if it is more than the normal assessment based on the preceding year's income. Should the actual income of the penultimate year be less than the normal assessment, the taxpayer cannot claim any adjustment.

There are two reliefs, however:

(1) If no income arises from the source in the year of assessment in which the cessation occurs and in the penultimate year, the taxpayer may claim to be assessed as if the source had ceased in the year of assessment in which income last arose. The claim must be made within two years from the end of the year of assessment in which the cessation occurred and within eight years after the year of assessment in which the source last produced income.

(2) If a source has yielded no income for six years of assessment, the taxpayer may claim to be assessed as if the source had ceased immediately before the end of those six years. This claim must be made within two years after the end of the six years. Should the source again yield income, it will be assessed as a new source.

Illustration:

Source discontinued in 1959/60.

Year ended April 5	Income £	Normal Assessment	On claim under (2) above £
1952	130	1952/53 130	150
1953	150	1953/54 150	180
1954	180	1954/55 180	Nil
1955 to 1960 in- clusive }	Nil	1955/56 to 1959/60 }	Nil Nil

On an addition to a source, the income from the addition is assessed as for a new source until it gets on to the preceding year basis, when the assessment on the

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original source and the addition will be amalgamated. Similarly, if part of a source is discontinued, the income from the remainder will be assessed on the preceding year basis, but that from the part disposed of will be assessed under the "discontinued" rules. An addition to a bank deposit is a new source (*Hart v. Sangster* [1956] 3 All E.R. 52).

Case IV of Schedule D taxes the income from securities out of the U.K., except where it is charged under Schedule C. (For this purpose, "security" means a possession the owner of which has the right to resort to some property or fund if default is made in paying the interest or repaying the capital secured.)

Case V catches the income from any other possessions out of the U.K.

The rules of assessment are the same as for Case III.

The whole income arising is assessable whether brought into the U.K. or not, except in the following instances, where only amounts remitted to the U.K. are assessable:

- (1) A person who is not domiciled in the U.K.;
- (2) A British subject not ordinarily resident in the U.K.;
- (3) Investments of the foreign life assurance fund of an assurance company;
- (4) Income derived from the carrying on of a trade, profession or vocation (including a partnership);
- (5) Pensions.

Income is "remitted" if it finds its way to the U.K. by any means, that is, if the pocket of the taxpayer in the U.K. is enriched while his credit outside the U.K. is reduced by a like amount.

PUBLISHED ACCOUNTS

IT WOULD BE a foolish student indeed who never took the opportunity to study past examination papers of the body for the examinations of which he was preparing, since recent questions frequently throw greater light upon the requirements of the examination than does the syllabus itself. Few syllabuses give a completely clear idea of the degree of detail the candidate is expected to master, but a study of the manner in which a syllabus has been interpreted in the past offers some clue to its probable future interpretation.

It is sometimes suggested that regard ought to be had to the pattern followed by the examiner; that if, for example, there has been no question on group accounts for two years, it might be wise to anticipate one at the next examination. Provided that this does not lull the candidate into a false sense of security, or encourage him to skip certain parts of the syllabus entirely, it is a perfectly justifiable manoeuvre. And where the sense of pattern is brought about not by the absence of a particular type of question but by its repetition in examination after examination, the wisdom of preparing for it carefully can scarcely be doubted.

If, for instance, a particular examining body sets papers in Company Accounts which invariably—and perhaps not surprisingly—include either one question requiring the preparation of the complete final accounts of a limited company in a form suitable for publication, or two separate questions, one requiring a profit and loss account and the other a balance sheet, it is surely reasonable to take advantage of the situation. After all, it is not difficult to score full marks on such questions, and with thirty or forty marks gained for certain one can attack

the remainder of the paper with confidence. The surprising fact is that a considerable proportion of students never find the time to master the simple principles involved.

The essential purpose of a set of published company accounts is to communicate accounting information, not less than the minimum required by the Companies Act, 1948, to shareholders and others who study the accounts, many of whom are laymen with no training in accounting. A basic aim therefore should be clarity, and, in so far as it is necessary to achieve this, the accountant should strive for simplicity. The effective layout of printed final accounts demands either an accountant skilled in handling printed matter, or a printer specialising in the preparation of accounts—preferably both. Take every opportunity, therefore, to study published accounts, not merely for their professional content but as examples of the art of the printer.

In the examination room layout is still important as an aid to clarity. There one cannot employ bold face or italic type, coloured backgrounds, or similar devices; one is limited to pen and ink. It is surprising, however, what a difference to overall clarity can be made by the use of capitals, of underlined headings and sub-headings, of spacing and inseting, and of rules.

In addition to mere bookkeeping skill, three things are needed before one can prepare publishable accounts worthy of the highest marks:

- (i) A knowledge of the accounting requirements of the Companies Act, 1948;
- (ii) A knowledge of the best professional practice, which is effectively summarised by the Recommendations on

Accounting Principles published by The Institute of Chartered Accountants in England and Wales; and
(iii) Practice in the layout of answers to the type of question set in the examination and in displaying them attractively yet clearly.

Neither (i) nor (ii) presents any difficulty, since each involves the absorption of information presented in any up-to-date textbook on accounting. Item (iii) is a somewhat different matter, there being a general shortage of textbook exercises along the lines required. The opportunity will be taken, therefore, to remedy this deficiency in some small measure. Probably the most difficult type of question to the borderline candidate is that which is not self-balancing, for he has no means of "proving" the accuracy of his workings. The following illustration is based on a question set in a recent Intermediate examination.

Full Value Stores Ltd. has an issued share capital of £100,000 in Ordinary shares of £1 each, on which 15s. has been called up and paid.

The following balances are included in the Trial Balance as on March 31, 1961:

	Dr. £	Cr. £
Sales, less returns		170,150
Purchases, less returns	129,600	
Selling and distribution expenses ..	6,715	
Bank charges	325	
Income tax, Schedule A 1960/61 ..	845	
Transfer fees		30
Depreciation for the year on:		
Freehold buildings	2,130	
Fixtures and fittings	540	
Stock-in-trade, at cost, March 31, 1960	32,450	
Administration and office expenses ..	7,560	
Interest (net) on trade investments ..		735
Profit and loss account—balance March 31, 1960		9,650

The following are to be provided: directors' fees £3,000, auditors' remuneration fixed at previous annual general meeting £315 and doubtful debts £175. The managing director's salary of £2,000 is included in administration and office expenses.

Stock-in-trade on March 31, 1961, valued at cost, amounted to £38,940, of which £1,650 was obsolete and is to be written off.

Income tax, Schedule D, for 1960/61 has been agreed and was less than the amount reserved by £345; profits tax to March 31, 1960, exceeded the provision by £175. Taxation based on the profits of the year ended March 31, 1961, is estimated to be: profits tax £2,900 and income tax, Case I, Schedule D, £14,000.

The directors decide to provide £1,000 against damages in a pending legal action, to set aside £5,000 to general reserve, to recommend a dividend of 2s. per share, less income tax, and to carry forward the balance on profit and loss account.

You are required to prepare:

(a) the profit and loss account for the year ended

March 31, 1961, in a form suitable for publication, having regard to the wishes of the directors to restrict the information to material items and to the minimum requirements of the Companies Act, 1948, and

(b) a detailed trading and profit and loss account which links up with the commencing profit figure shown in the published account.

Solution

FULL VALUE STORES LTD.

(a) Profit and Loss Account for the year ended March 31, 1961, in a form suitable for publication.

PROFIT FOR YEAR BEFORE TAXATION £ 24,860

After Crediting:	£
Interest on Trade Investments	1,200
And after Charging:	
Directors' Remuneration:	£
Management Services	2,000
Fees	3,000
	5,000
Obsolete Stock written off	1,650
Provisions for Damages in Pending Legal Action	1,000
Depreciation	2,670
	£10,320

Deduct: Taxation on the Profits of the Year:

	£
Income Tax	15,310
Profits Tax	2,900
	18,210

PROFIT FOR YEAR AFTER TAXATION £ 6,650

Add: Balance brought forward from preceding year

Add: Overprovision in respect of Income Tax in previous year

9,995

Less: Underprovision for Profits Tax in respect of previous year

AVAILABLE FOR APPROPRIATION 16,470

Deduct: Transfer to General Reserve Proposed Ordinary Dividend of 2s. per share (less Income Tax)

UNAPPROPRIATED BALANCE CARRIED FORWARD £5,345

(b) Detailed Trading and Profit and Loss Account for the Year ended March 31, 1961.

	£	£
Sales, less Returns		170,150
Deduct: Cost of Goods Sold:		
Stock-in-Trade, April 1,		
1960, at cost	32,450	
Purchases, less Returns ..	129,600	
	<hr/>	162,050
Less: Stock - in - Trade,		
March 31, 1961,		
at cost	38,940	
	<hr/>	123,110
Gross Profit		47,040
Add: Interest on Trade Investments		
(gross)	1,200	
Transfer Fees	30	
	<hr/>	48,270
Deduct: Selling and Distribution Ex-		
penses	6,715	
Administration and Office		
Expenses	5,560	
Managing Director's Salary	2,000	
Directors' Fees	3,000	
Auditors' Remuneration ..	315	
Bank Charges	325	
Obsolete Stock written off ..	1,650	
Provision for Doubtful Debts	175	
Provision for Damages in		
pending legal action	1,000	
Depreciation for the		
Year on: £		
Freehold Buildings 2,130		
Fixtures and Fittings 540		
	<hr/>	2,670
	<hr/>	23,410
Net Profit for Year before Taxation ..		£24,860

(1) It is assumed that the writing off of £1,650 worth of stock is unusual; the item, being material in amount, is therefore disclosed in the published accounts.

(2) The charge for income tax is made up as follows:

	£
Estimated Case I, Schedule D, 1961/62 ..	14,000
Schedule A, 1960/61	845
Tax suffered by deduction	465
	<hr/>
	£15,310

(3) The tax suffered by deduction may be computed as follows:

When the standard rate is 7s. 9d. in the £ it is necessary to multiply a net payment by 80/49 to obtain the equivalent gross amount, there being 80 threepences in one pound and 49 threepences in one pound less tax at the standard rate.

$$80/49\text{ths of }£735 = £1,200$$

The tax deducted was therefore £1,200 less £735 = £465.

(4) It will be apparent that part (b) of the question will in practice be answered before part (a). It is always best to study the entire question before attempting any part of it. An illustration of the danger of failing to do so may be taken from a recent paper in Auditing which required as its first part the naming of a specified number of items of a stated type, but went on to ask how each would be verified. One candidate, who knew quite well how to verify the required number of items, lost marks because he chose (without thinking of the second part of the question) assets with the verification of which he was unfamiliar.

Notices

The Accountants' Christian Fellowship will hold its monthly meeting for Bible reading and prayer at 1.30 p.m. on Monday, April 10, in the vestry at St. Mary Woolnoth Church, London, E.C.3.

During 1960 there were 39,653 new registrations under the Registration of Business Names Act, 1916 (as amended by the Companies Act, 1947), and 10,447 names were removed from the registers. The total remaining on the registers at December 31, 1960, was 823,344. Six prosecutions were instituted during the year for non-compliance with the Act. A conviction was obtained in each case.

On Wednesday and Thursday, March 22 and 23, the Industrial Welfare Society is holding a conference at the Connaught Rooms, London, W.C.2, to spotlight priorities in office management. The conference is designed to meet the requirements of managerial staff, accountants and company secretaries.

A second EMIDEC 2400 computer has been ordered for the use of the Royal Army Ordnance Corps, and is to be installed at Donnington to control stocks of technical stores.

An interesting new technical advance in the field of photocopying for the office and drawing office has been announced by Copycat Limited. This new process, known as *Diazotherm*, is an improvement on the widely used dyeline process. It enables a dry

copy to be made and eliminates the need for any developing chemicals. The copy is developed instead by a simple heat process which can be carried out automatically, so that all the operator has to do is to feed the original and copy into the machine. It is stated that all the present advantages of the dyeline process are maintained and that there is no increase in running costs.

The Westminster Bank is installing a new electronic cheque and document sorter in its clearing department. This will work on a magnetic character recognition system, and can handle 750 cheques per minute.

On March 28 the Institute of Office Management is holding a one-day conference at the University Building, Bristol Road, Birmingham, on *Recent Trends in Communications* (including closed circuit television in black and white).

The Institute of Chartered Accountants in England and Wales

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, March 1, 1961, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. S. J. Pears, President, in the chair; Mr. P. F. Granger, Vice-President; Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. W. L. Barrows, Mr. T. A. Hamilton Baynes, Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. S. Dixon, Mr. W. W. Fea, Sir Harold Gillett, Bt., M.C., Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Mr. J. A. Jackson, Mr. H. O. Johnson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., Mr. E. N. Macdonald, D.F.C., Mr. R. McNeil, Mr. R. P. Matthews, Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. C. U. Peat, M.C., Mr. F. E. Price, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. J. D. Russell, Mr. K. G. Shuttleworth, Mr. D. Steele, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. A. H. Walton, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., Mr. E. K. Wright.

Death of Mr. A. D. Walker, F.C.A.

The Council received with much regret the report of the death of Mr. A. D. Walker, F.C.A., Liverpool. Mr. Walker was elected to the Council in 1948 and was a past Chairman of the Library Committee and Chairman of the District Societies' Committee.

Welcome to a New Member

The President welcomed Mr. J. D. Russell, M.A., F.C.A., who was attending for the first time as a member of the Council.

Approved Auditors—Scale of Fees

As a result of representations on behalf of the following bodies, namely, The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, The Association of Certified and Corporate Accountants and The Institute of Chartered Accountants in Ireland, the Treasury have agreed that the maximum fees to be charged by Approved Auditors for auditing shall be revised, the other conditions of appointment remaining

unchanged. The new scales, which come into effect as from July 1, 1961, are set out below.

(a) Societies registered under the Industrial and Provident Societies Acts and societies or branches of societies registered under the Friendly Societies Acts, excluding Collecting Societies, that is, Friendly Societies that conduct industrial assurance business—

	Guineas
Where receipts and payments added together do not exceed £100	1
Exceeding £100 but not exceeding £500	3
Exceeding £500 but not exceeding £2,500	5
Exceeding £2,500 but not exceeding £4,000	7
Exceeding £4,000 but not exceeding £6,000	9
For every £2,000 or part thereof in excess, up to £20,000 ..	3
Above £20,000, fee to be fixed by special arrangement with the society or branch.	

(b) Collecting Societies—

Where receipts and payments added together do not exceed £1,000	7
For every £1,000 or part thereof in excess, up to £20,000 ..	3
Above £20,000, fee to be fixed by special arrangement with the society.	

Notices of Assessment: Schedules E and A

On the report of the Parliamentary and Law Committee, following consideration of a memorandum from the Taxation and Research Committee, the Council decided to submit to the Chairman of the Board of Inland Revenue a memorandum proposing improvements in the forms of notice of assessment under Schedules E and A.

Appointments to Committees

The Council made the following appointments to Committees:

Mr. J. H. Mann—Disciplinary Committee; Mr. J. D. Russell—Finance Committee; Chairman of the Articled Clerks Committee—*ex officio* member of the Public Relations Committee.

Chairman and Vice-Chairman of Finance Committee

The Secretary reported the appointment of Sir Harold Gillett and Mr. D. A. Clarke as Chairman and Vice-Chairman respectively of the Finance Committee.

Examination Results—November 1960

The results of the Institute examinations held in November, 1960, were as follows:

	Passed	Failed	Total
Preliminary ..	81	137	218
Intermediate ..	1,051	1,097	2,148
Final ..	797	807	1,604
	1,929	2,041	3,970

(The names of the successful candidates and the recipients of prizes and certificates of merit were published in the February, 1961, issue of ACCOUNTANCY.)

The results of the examinations conducted by the Institute as examinations of The Society of Incorporated Accountants were as follows:

	Passed	Failed	Total	Completing Final
Final				
Part I only*	19	10	29	1
Part II only ..	92	40	132	92

* Includes two candidates who sat for both parts and passed in Part I only.

(No honours certificates were awarded. The names of successful candidates were published in the February, 1961, issue of ACCOUNTANCY.)

Exemption from the Intermediate Examination

Graduates who have followed a degree course approved by the Council under bye-law 62

Under bye-law 85 (a), the Council may grant exemption from the Intermediate examination to an articled clerk who has graduated from a United Kingdom university after following a degree course approved by the Council under bye-law 62.

Some articled clerks who are eligible to apply for exemption prefer not to submit a claim for such exemption but to sit in order to gain experience of a professional examination and to test their progress.

The Council has, however, decided that in the absence of exceptional circumstances:

(a) an articled clerk who applies for and is granted exemption from the Intermediate examination under bye-law 85 (a) will not be permitted to sit the Intermediate examination, nor will he be permitted to withdraw such exemption in order to sit;

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Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, Moorgate Place, London, E.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Moorgate 5644.

OFFICIAL NOTICES

COMPANIES AND TAXATION IN THE COMMON MARKET. A Conference on European Legal Problems to be held at the Law Society on April 20th and 21st, 1961. Speakers and chairmen include Lord Cohen, Dr. K. Lipstein, Professor E. G. Cohn, Sir William Carrington, and experts from the European Economic Community. Further information from Federal Trust, 10 Wyndham Place, London, W.1. Telephone PADdington 6670.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS EXAMINATION IN MANAGEMENT ACCOUNTANCY

The examination in Management Accountancy, leading to Fellowship of the Institute, is open to those who have passed the Institute's final examination and to members of certain other accountancy bodies. Details and entry forms may be obtained on application.

The examination will take place at the usual home centres on 5th, 6th and 7th June, 1961. Entry forms must be submitted to the Institute not later than 10th April, 1961, for home candidates.

DEREK DU PRE, Secretary,
63 Portland Place, London, W.1.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS JUNE 1961 EXAMINATIONS

The next Preliminary, Intermediate and Final Examinations will be held at the usual Home Centres on 5th, 6th and 7th June, 1961. Applications on Form C (obtainable on receipt of self-addressed gummed label) should be lodged with the undersigned as soon as possible, and in any case not later than 10th April. No late entries will be accepted.

DEREK DU PRE, Secretary,
63 Portland Place, London, W.1.

TECHNIQUES of Cost Control and Management Accounting. Residential course for accountants and managers at all levels, with special emphasis on Marginal Costing. Held in the Somerset Education Committee's College for Adult Education. May 8 to 12. Inclusive fee £10 10s. 0d. Details from the Assistant Secretary, Dillington House, Ilminster, Somerset.

APPOINTMENTS VACANT

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

An Under Secretary for technical matters is required by The Institute of Chartered Accountants in England and Wales at a commencing salary of £3,000 per annum; non-contributory pension scheme. Applications are invited from Members of the Institute accustomed to drafting reports and technical memoranda. Applicants should state age, academic and professional qualifications and details of career to date. Applications must be in writing addressed to the Secretary, THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES, Moorgate Place, London, E.C.2. Envelope to be marked "Personal—Under Secretary."

P. D. LEAKE RESEARCH FELLOWSHIPS

APPLICATIONS are INVITED from QUALIFIED MEMBERS of the ACCOUNTANCY PROFESSION for APPOINTMENT to a P. D. LEAKE RESEARCH FELLOWSHIP financed by the P. D. Leake Trust. The term of the Fellowship will be for the year commencing October 1, 1961, and it may be held in the University of Birmingham, the University of London, or the University of Oxford, the location of the appointment being determined by the three universities concerned, in consultation, after consideration of candidates' preference and research interests.

The object of the Fellowship is to provide university facilities for an experienced accountant to carry out research in subjects with which the accountancy profession is directly concerned and within the charitable object of the P. D. Leake Trust, namely "to benefit and advance the sciences of accounting and of political economy, including the subject of public finance and taxation." Only accountants who are members of United Kingdom accountancy bodies which are recognised for the purpose of United Kingdom company law are eligible.

The emoluments of the Fellowship will be £2,000, out of which the Fellow will be required to meet any consequential expenses of his appointment.

Further particulars may be obtained from the Secretary, THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE, Houghton Street, London, W.C.2, with whom applications must be lodged by April 30, 1961.

GOVERNMENT OF TANGANYIKA Co-operative Development Department

The Government of Tanganyika require the services of a professionally qualified Male ACCOUNTANT for appointment as a CO-OPERATIVE OFFICER to teach departmental staff who have special accountancy aptitude; to supervise and to audit the accounts of Co-operative Societies, including the internal audits of Co-operative secondary societies and processing factories and to discharge the normal duties of a Co-operative Officer, if and when required.

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Further particulars and application form from DIRECTOR OF RECRUITMENT, Colonial Office, S.W.1, quoting BCD 135/8/04/PS. Applicants should state full names and give brief particulars (qualifications, age, etc.).

(continued on page xxxix, facing page 182)

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(b) an articulated clerk who, although eligible, has not made an application under bye-law 85 (a) and has sat and failed the Intermediate examination will not be granted exemption from that examination.

Institute Staff

Mr. Geoffrey Andrew Holmes, F.C.A., has been appointed Assistant Editor of ACCOUNTANCY as from March 1, 1961.

Registration of Articles

The Secretary reported the registration of 308 articles of clerkship during the last month, the total number since January 1, 1961, being 542.

Admissions to Membership

The following were admitted to membership of the Institute:

§FERGUSON, DAVID CLIVE EMERSON; A.S.A.A., a1961; 53 Sixth Street, Lower Houghton, Johannesburg.

§IRVING, THORNYCROFT JONATHAN; A.S.A.A., a1961; 30 Reform Avenue, Melrose, Johannesburg.

§THOMPSON, HAROLD GREGOR; A.S.A.A., a1961; 4a Nellmapius Drive, Irene, Transvaal.

Fellowship

The Council acceded to applications from fifteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Member Becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

WEEKS, RAYMOND CYRIL ALEXANDER; F.S.A.A., aS1940; with Edmonds & Co., 34 Carisbrooke Road, Newport, Isle of Wight.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

ALLMAN, GEOFFREY COLIN; F.C.A., a1950; Herbert Pepper & Rudland, Waterloo House, 20 Waterloo Street, Birmingham 2.

BATCHELOR, HORACE GEORGE; F.C.A., a1948; 39 Fairholme Avenue, Romford, Essex.

BOOKATZ, ARNOLD; A.C.A., aS1954; Arnold Bookatz & Co., 2 Fletching Road, Clapton, London, E.5.

BROOM, ROBERT HAROLD; A.C.A., a1959; "Pegasus," Church Street, Charlton Kings, Cheltenham.

DONNELLY, FRANCIS; A.C.A., a1960; J. & F. Donnelly, 160 Elgin Street, Bolton.

DONNELLY, JOHN; A.C.A., a1958; J. & F. Donnelly, 160 Elgin Street, Bolton.

FLETCHER, BARRIE WILLIAM; A.C.A., a1960; White, Withers & Co., 3 Endwell Road, Bexhill-on-Sea, and at Hastings and London.

GRIFFITHS, WYNNE; A.C.A., a1951; Kinnear Webb & Sunley and S. E. Parish & Co., 49 Queen Victoria Street, London, E.C.4.

HARDCASTLE, TREVOR; A.C.A., aS1954; France & Co., Westminster Bank Chambers, Yorkersgate, Malton, Yorks, and at Leeds.

IRELAND, SYDNEY STEPHEN, F.C.A.; aS1948; 8 Coulsdon Rise, Coulsdon, Surrey.

JACKSON, GEORGE FRANCIS; A.C.A., a1957; Allen Edwards & Co., 7 Greenfield Crescent, Edgbaston, Birmingham 15, and at Coventry.

KEANE, MAURICE; A.C.A., a1960; 22 Lealand Road, South Tottenham, London, N.15.

LEE, ROBERT ANTHONY; A.C.A., a1957; Rushworth, Ingham & Rhodes, 45 Well Street, Bradford 1.

LITTMAN, PETER WALTER; A.C.A., a1958; P. W. Littman & Co., 78 New Bond Street, London, W.1.

MCBRIDE, DENIS; A.C.A., a1958; 8 Carrfield Avenue, Woodmoor, Stockport.

MANTON, STANLEY CYRIL; A.C.A., aS1954; "Denbrae," Brady Road, Lyminge, Folkestone.

MOSS, DAVID GEORGE WOOD, M.A.; A.C.A., a1957; Watson, Sowter & Co., 25 Iron Gate, Derby.

OLDBURY, WILLIAM DAVID; A.C.A., a1959; 8 Queensbury Avenue, Wilford Hills, Nottingham.

OWEN, JOHN TUDOR; A.C.A., aS1951; R. G. Cotter & Co., 54 Hamilton Square, Birkenhead.

PATTERSON, KENNETH; A.C.A., a1957; Joy, Price & Co., 76 Jesmond Road, Newcastle upon Tyne 2.

REILLY, SIDNEY HUGH; A.C.A., a1958; 28 St. Mary's Place, Newcastle upon Tyne 1.

SHAPLAND, RICHARD GUY; A.C.A., a1960; Lodge & Winter, Midland Bank Chambers, Falmouth.

SHORT, MAURICE ELVYN; F.C.A., a1947; David J. Jones & Co., 12 St. Ann's Square, Manchester 2.

SMALLMAN-RAYNOR, ERNEST JOHN; A.C.A., aS1954; *Roberts, Raynor & Co., 84 High Road, Beeston, Notts.

SMITH, BASIL BENJAMIN; A.C.A., a1951; Cassleton Elliott & Co., 4/6 Throgmorton Avenue, London, E.C.2.

SMITH, ROBERT ERIC; A.C.A., aS1952; *Wild & Smith, 64 Seymour Grove, Old Trafford, Manchester 16.

TAYLOR, GEORGE LEWIS; A.C.A., a1951; †Armitage & Norton, Station Street Buildings, Huddersfield.

TERRAS, ANTONY MICHAEL, B.A.(COM.); A.C.A., a1958; Swanwick, Terras & Co., and Abbott & Son, 64 Cross Street, Manchester 2.

THOMAS, KENNETH MICHAEL; A.C.A., a1958; 41 Slayleigh Avenue, Sheffield 10.

THOMPSON, WALTER JAMES; A.C.A., a1952; Kenneth V. R. Heaven & Co., 146A Broad Street, Five Ways, Birmingham 15.

TIFFIN, RONALD JOHN; A.C.A., a1959; 60 Hyde Road, Ladywood, Birmingham 16.

WATKINS, ROBERT WALTER; A.C.A., a1954; Attlee, Edge & Lambert, 163 Hamstead Road, Handsworth, Birmingham 20.

WHITEHEAD, JOHN PHILLIP; F.C.A., a1948; †Armitage & Norton, Station Street Buildings, Huddersfield.

§ means "incorporated accountant member."

a indicates the year of admission to the Institute.

aS indicates the year of admission to The Society of Incorporated Accountants.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

WILDE, PETER GEOFFREY; F.C.A., aS1949; †Bishop, Fleming & Co., 50 The Terrace, Torquay.

Re-admission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under bye-law 38. One application under clause 23 of the supplemental Royal Charter for revocation of exclusion was refused.

Changes of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

HOWARD, MICHAEL, to HOWARD, MICHAEL JONATHAN.

SMITH, JOHN STEWART, to STEWART-SMITH, JOHN.

Resignations

The Council accepted the resignations from membership of the Institute of:

§BAINES, VIVIAN MUSPRATT; A.S.A.A., a1959; c/o Barclays Bank D.C.O., 1 Cockspur Street, London, S.W.1.

BALL, GEORGE HERBERT, D.S.O., M.C.; F.C.A., a1927; Ramblers, Dockenfield, near Farnham, Surrey.

HORNER, HAROLD WALLINGTON; F.C.A., a1908; "Whiteshoots," Bourton-on-the-Water, Glos.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

BALDWIN, ERNEST, F.C.A., Sheffield.

BARNETT, ARCHIBALD VICTOR, F.C.A., London.

BOWKER, HARRY, F.C.A., Sheffield.

BROOKE, HERBERT, F.C.A., Arnsby, Westmorland.

BURAH, TUAN HAJIREEN, F.C.A., Colombo.

CARTER, HARRY WILLIAM, F.C.A., Barnsley.

COULSON, SAMUEL TWENTYMAN, F.C.A., West Hartlepool.

CROOKS, GEORGE REID, C.B.E., F.C.A., Sevenoaks.

DALGLEISH, MARK CALROW, F.C.A., Truro.

DITTON, JOHN ALFRED, F.C.A., London.

DODD, CECIL RAYMOND, F.C.A., Nottingham.

GOFFIN, WILLIAM MICHAEL, F.C.A., Mansfield.

HEMBRY, HENRY WILLIAM MCQUITTY, F.C.A., London.

JENKINS, DAVID BERNARD, F.C.A., Tipton.

KIRKBY, VERNON WHITTENBURY, F.C.A., Scarborough.

LEGG, HAROLD FRANCIS, F.C.A., London.

MITTON, JOHN CLEGG, F.C.A., Sèvres, France.

MURRAY, FREDERICK, F.S.A.A., Salisbury, Southern Rhodesia.

NEVILL, STANLEY FRANCIS, A.C.A., London.

PLATT, JOHN ABEL, F.C.A., Bridlington.

REED, JOHN, F.C.A., South Shields.

SHEARD, KENNETH, F.C.A., Stockport.

SMITH, ANDREW NORMAN DUDLEY, F.C.A., London.

STEWART-SMITH, JOHN, F.C.A., Manchester.

SYLVESTER, MARTIN, F.C.A., Stourbridge.

TRESISE, THOMAS HENRY, F.C.A., Norwich.

WALKER, ALEXANDER DALRYMPLE, F.C.A., Liverpool, Member of the Council.

WOODHOUSE, NORMAN EGERTON HARRY, F.C.A., St. Austell.

WOODWARD, FREDERICK ROBERT, O.B.E., F.S.A.A., Truro.

Finding and Decision of the Disciplinary Committee

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on February 1, 1961.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a Fellow of the Institute had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that in a letter which was published in a daily newspaper he permitted or procured or allowed the name of his firm to be mentioned, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and ordered that the member be admonished but, having regard to the special circumstances of the case, the Committee decided that his name should be omitted from the publication of the Finding and Decision.

Taxation and Research Committee

THE ONE-HUNDRED-AND-THIRTEENTH meeting of the Taxation and Research Committee was held at the Institute on February 16.

Present: Mr. G. N. Hunter (in the chair), Mr. F. W. Allaway, Mr. G. R. Appleyard, Mr. R. D. R. Bateman, M.B.E., Mr. C. V. Best, Mr. W. R. Carter, Mr. J. Cartner, Mr. L. H. Clark, Mr. S. M. Duncan, Mr. W. F. Edwards, Mr. C. R. P. Goodwin, Mr. N. B. Hart, O.B.E., Mr. J. S. F. Hill, Mr. R. O. A. Keel, Mr. H. Kirton, Mr. S. Kitchen, Mr. J. W. Margetts, Mr. S. A. Middleton, Mr. G. P. Morgan-Jones, Mr. R. D. Pearce, Mr. J. Perfect, Mr. A. H. Proud, Mr. J. D. Reekie, Mr. D. W. Robertson, Mr. C. Romer-Lee, Mr. H. G. Sergeant, Mr. H. C. Shaw, Mr. H. Eden Smith, Mr. D. E. T. Tanfield, Mr. J. G. Vaughan, Mr. J. W. Walkden, Mr. F. J. Weeks, and Mr. G. H. Yarnell and Mr. A. R. English, with the Assistant Secretary.

Secretary to the Taxation and Research Committee

The Committee unanimously agreed that a message should be conveyed to the Secretary, Mr. Noyes, expressing the regret of the members of the Committee at his inability to attend the meeting and their best wishes for his speedy recovery.

Sub-Committees

Reports were received from the following Standing Sub-Committees: General Advisory, Management Accounting, Taxation, Planning.

Reports were received also from three special sub-committees.

Future Meetings

The next meeting of the Committee was arranged for Thursday, April 27, at 2 p.m., and the following dates for future meetings have been fixed: Thursdays, June 15, September 21, October 26 and December 14, 1961.

Chartered Accountants' Benevolent Association

THE ANNUAL MEETING of the Board of Governors of The Chartered Accountants' Benevolent Association will be held at 55 Moorgate, London, E.C.2, at 2.15 p.m. on Wednesday, March 29.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gift are the following:

The Antitrust Laws of the United States of America: a study of competition enforced by law; by A. D. Neale. Cambridge. 1960. (C.U.P., 45s.)

The District Auditor; by L. M. Helmore. 1961. (Macdonald & Evans, 25s.)

Executive Decisions and Operations Research; by D. W. Miller and M. K. Starr. (Englewood Cliffs, N.J.) 1960. (Prentice-Hall, 42s.)

An Executor's Accounts and the law relating thereto: 13th edn.; by E. M. Taylor, F.C.A., S. C. Hough and O. Griffiths. 1961. (Textbooks, presented.)

Farm Management; by J. Wyllie: 3rd edn. 1960. (Spon, 42s.)

Industrial Editing: a handbook on house journals; by B. Smith. 1961. (Pitman, 27s. 6d.)

Irish Income Tax and Corporation Profits Tax; by H. A. R. J. Wilson, F.C.A. and F. N. Kelly, F.C.A. 1957. 3rd supplement 1960. (H.F.L., presented, 2s. 6d.)

Outlines of Local Government of the United Kingdom; by J. J. Clarke: 19th edn. 1960. (Pitman, 25s.)

The Principles of Agency; by H. G. Hanbury: 2nd edn. 1960. (Stevens, 35s.)

Studies in Business Organisation: a supplement to "Business Enterprise"; ed. by R. S. Edwards and H. Townsend. 1961. (Macmillan, 25s.)

Terrell and Shelley on the law of Patents; by T. Terrell: 10th edn. by K. E. Shelley. 1961. (Sweet & Maxwell, 126s.)

The Age of Economists and Calculators

THE SOUTH WALES and Monmouthshire Society of Chartered Accountants held its annual dinner on February 17 at the Park Hotel, Cardiff. Mr. T. W. Pickard, F.C.A., its President, was in the chair. Among the guests were the Archbishop of Wales; the Lord Mayor of Cardiff, Alderman Mrs. Dorothy Lewis, O.B.E., J.P.; Mr. Duncan H. D. Alexander, C.B.E., T.D., D.L., High Sheriff of Glamorgan; Mr. W. F. Thomas, Chief Constable of Cardiff; Professor Brinley Thomas, O.B.E., M.A., PH.D., Professor of Economics and Social Science at the University College of South Wales; Sir Thomas B. Robson, M.B.E., M.A., F.C.A., a past-President of The Institute of Chartered Accountants in England and Wales, and a member of the Council; Sir Frederick J. Alban, C.B.E., LL.D., J.P., F.C.A., formerly President of The Society of Incorporated Accountants; Mr. A. S. MacIver, C.B.E., M.C., B.A., Secretary of the Institute; Mr. F. Davies, H.M. Inspector of Taxes, and many representatives of professional bodies, finance and the Inland Revenue.

Proposing the toast of The Institute of Chartered Accountants in England and Wales, Professor Brinley Thomas said that he felt at home among accountants, with whom he had worked closely over the past years. Accountants and economists had much in common. They did not advertise and they played a part on high-level committees which did not often come to the attention of the public. The speaker expressed his audience's hopes for the speedy recovery of Mr. S. John Pears, President of the Institute, who had been prevented by illness from attending the dinner.

Sir Thomas Robson, who responded to the toast, remarked that it was pleasant indeed for chartered accountants to bask for a short space in the sunshine of kind words instead of engaging in their perennial struggles to reconcile the conflicting claims of clients and Inspectors of Taxes and the sometimes divergent interests of directors and shareholders. The Council of the Institute had been trying to help them all by its recent Recommendation on the treatment of stock-in-trade: there were few accountancy matters so important. Anyone who disregarded such principles robbed the accounts of their utility as an instrument of management control and deprived shareholders of the reliable information due to them. The Council had made a similar recommendation in its memorandum to the Jenkins Committee on company law. Accountants must use all their influence to make sure that the underlying principles of the Recommendation were carried out. If the Institute, the speaker concluded, was to attract young men and women of character and ability, members must offer opportunities the equivalent of or better than those offered in industry. A good deal more could be done if accountants made it their individual duty to sing the praises of their profession.

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(continued from page xxxviii, facing page 181)

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Salary in accordance with the Burnham Technical Scales: £1,370 × £35 to £1,550.

Further particulars and forms of application obtainable from the Principal, Peterborough Technical College, Eastfield Road, Peterborough.

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A LECTURER IN ACCOUNTANCY is required for TWO YEARS in COLOMBO by the INSTITUTE OF CHARTERED ACCOUNTANTS OF CEYLON to organise and run tutorial classes and to train local lecturers.

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Candidates must have substantial accounting experience with a Public Utility Undertaking, including experience in posting main books of accounts. Knowledge of the application of Renewals Funds and of the compilation of Plant Registers desirable, and some experience in mechanical billing an advantage.

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An international firm of public accountants wishes to increase its permanent professional staff in Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay and invites applications from qualified accountants at all levels of experience, from those newly qualified to those capable of assuming senior executive posts, including men who have had experience of management consultancy work.

The positions advertised are not replacements; they are new posts. The work is varied and interesting with opportunities for travel and there are excellent prospects of speedy advancement in countries whose economies are expanding rapidly.

Contracts are for an initial period of three years, renewable by agreement. Terms include an allowance for the expenses of moving to South America, a salary (payable partly in hard currency) on a scale sufficient to permit a comfortable standard of living together with a margin for savings, annual bonus, first class return passages for staff members and their dependants and three months fully paid leave at the end of each contract in addition to local leave during its course. Salaries are subject to merit increases and are reviewed from time to time to take account of changes in the cost of living. Additional benefits, differing from country to country, are provided by advanced social legislation. A senior partner of the firm will shortly be in London to interview applicants.

Please send particulars of experience and qualifications together with a passport type photograph to Box No. 19, c/o ACCOUNTANCY.

ACCOUNTANT FOR UGANDA

International Accountants require young Qualified Accountant, preferably single, for their Office in Kampala and would consider recently-qualified man. Contract for either three or four years, commencing salary £1,350 p.a., passages paid, housing assistance, annual bonus, end of contract leave. Home leave after two years if on four-year contract. Applications to Box No. 25, c/o ACCOUNTANCY.

ASSISTANT to Chief Accountant required for group of Manufacturing Companies—H.O. in N.W. London. Age not over 30. Commencing salary £900 p.a. Excellent prospects of advancement for men of ability, initiative and enthusiasm. Apply Box No. 26, c/o ACCOUNTANCY.

AUDIT CLERKS. Many vacancies waiting for Senior, Semi-senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

ALBRIGHT & WILSON (MFG) LTD.
 have a vacancy for a

FINANCIAL ACCOUNTANT

at Oldbury

Duties will be to assist in the preparation of interim and final accounts and budgets, collating data for reporting to Management, routine accounting duties including expenditure analysis. Candidates should be aged 21-26 and be recently qualified or taking final examinations of Chartered or Certified Accountants. They should have accounting experience of two to three years either in the profession or in industry.


Applications should be addressed to the
 Group Staff Officer
 Group Personnel Department
 Albright & Wilson Ltd.
 Knightsbridge Green, London, S.W.1.
 Ref. No. 56.

**BOWATERS
ORGANISATION
AND
METHODS**

has a vacancy based on the Headquarters in Knightsbridge, London, for a young qualified accountant with good knowledge of Management Accounting and punched card equipment. Some knowledge of O. & M. work would be an advantage.

This is a senior and progressive post within an expanding department and should offer excellent prospects to the right man.

Apply in writing, giving full particulars to the Personnel Officer, THE BOWATER PAPER CORPORATION LIMITED, Bowater House, Knightsbridge, London, S.W.1.



**ASSISTANT
INTERNAL AUDITOR**

Bakelite Limited have a vacancy for an assistant to the Internal Auditor and require a man with audit experience, interested in cost accounting and prepared to work single-handed on audit work in all departments of the Company. The job is based upon Birmingham, but some travel is necessary.

Applicants should be either recently qualified men or senior audit clerks with 10-15 years of professional experience. The working conditions are good, and there is an attractive staff pension scheme in operation.

Apply to the Personnel Manager at Tyseley, Birmingham, 11

CHARTERED ACCOUNTANTS — Price Waterhouse & Co., 3 Frederick's Place, Old Jewry, London, E.C.2, have vacancies for young qualified accountants. Excellent prospects and opportunities for broadening experience in the profession. 5-day week, luncheon vouchers and pension scheme.

COMPANY SECRETARY

An excellent opportunity for a man with initiative. Progressive group of private industrial companies has a vacancy, due to impending retirement, for a fully-qualified Secretary to help control and maintain a record of development. Must be qualified Accountant and Chartered Secretary. Salary envisaged £1,500-£1,750 with further prospects. Age about 35-40. West Midlands area.

Box No. 30, c/o ACCOUNTANCY.

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and bring its opportunities to the notice of young people and their parents. Today the Institute had a membership of about 34,000. Ten years ago its members numbered 15,000. There was no slackening in the demand for qualified chartered accountants on both the practising and non-practising sides of the profession.

In proposing the toast of the guests, Mr. T. W. Pickard, President of the South Wales and Monmouthshire Society, welcomed His Grace the Archbishop of Wales, and Mrs. Dorothy Lewis, the Lord Mayor. Members, he went on, were delighted and honoured to have with them Sir Thomas Robson, who was the senior past-President of the Institute; it was also a great pleasure to welcome Mr. MacIver, its Secretary. Economics had not always been so respectable, he observed, and he quoted Edmund Burke: "The age of chivalry is gone—that of economists and calculators has succeeded, and the glory of Europe is extinguished for ever."

Mr. Pickard extended the Institute's sincerest congratulations to Cardiff's Lord Mayor elect, Alderman Ewart Pearce, a member of the District Society committee, who would be the first chartered accountant to become Lord Mayor of Cardiff.

The toast was acknowledged by the Lord Mayor, Mrs. Dorothy Lewis.

Accountants and Engineers

THE SHEFFIELD AND District Society of Chartered Accountants held its annual dinner at the Cutlers Hall on March 2, the chair being taken by the President, Mr. J. W. Richardson, F.C.A. Among the guests were the Deputy Lord Mayor of Sheffield, Alderman A. V. Wolstenholme, J.P.; the Vice-Chancellor of the University of Sheffield, Mr. J. M. Whittaker, M.A., D.Sc., F.R.S.; the Hon. Sir Geoffrey W. Wrangham, Judge of the High Court; Mr. S. John Pears, F.C.A., President of The Institute of Chartered Accountants in England and Wales, and Mr. A. S. MacIver, C.B.E., M.C., B.A., its Secretary; Mr. J. H. Osborn, M.P.; Mr. A. Gurney Yates, M.A., M.D., CH.B., F.R.C.P., past-President of the Association of Physicians of Great Britain and Ireland; Mr. R. C. Glendenning, B.COM., F.C.A.; and representatives of professional bodies, commerce, finance and the Inland Revenue.

The toast of "The City and Trades of Sheffield" was proposed by Mr. Raymond C. Glendenning, the well-known B.B.C. sports commentator, who said how strange it was for him to be seeing his audience. He called Sheffield a city as sharp and as true as steel, and as sterling as silver.

In his reply, Alderman A. V. Wolstenholme, the Deputy Lord Mayor, said he was proud of his city, which was now the sixth in the country.

Proposing the toast of The Institute of Chartered Accountants in England and Wales, Sir Geoffrey W. Wrangham maintained that the chartered accountant was held in universal awe; somehow or other

accountants had managed to convince the authorities that they understood our system of taxation.

In his reply to the toast, Mr. S. John Pears, President of the Institute, mentioned that that was the day on which the final steps had been taken to complete the denationalisation of all the major companies, except one, in the steel industry. Sheffield had a large stake in steel, and he thought it had done a wonderful job since the war.

It was the duty of accountants to stimulate and encourage industry, and he thought they could play an even greater part than they did at present. There was a very strong case for closer co-operation between engineers and accountants: the combination of the optimism of the engineer with the pessimism or realism of the accountant resulted in a realistic forecast of capital expenditure and future revenue.

The accountant could use his influence, for instance, to see that designs were completed at an early stage, that orders were placed as soon as possible, that contract conditions were settled before the commencement of the work or shortly afterwards, that the number of changes in the scheme was reduced to an absolute minimum and that the delivery of plant and the progress of construction were co-ordinated. Lack of attention to these factors was the reason that estimates were so often exceeded. The accountant could also ensure that proper provision was made for contingencies, spares for the plant, buildings for stores and offices; provision must also be made for losses incurred in running-in the plant, as it was always some time before it became profitable. Accountants could assist with the control of capital expenditure during construction; they could assist in the estimates of revenue, with particular reference to the suggested yields and the effects of activity. In the steel industry, particularly, the proportion of fixed overheads was very high and any reduction in activity would have a tremendous effect on the profitability of the works. Co-operation between the accountant and the engineer was always profitable, not only in the steel industry but in every other.

There was another field in which the accountant's skill could be utilised, namely, in price fixing. We had passed from a sellers' market to a buyers', and difficulties in selling would have to be faced at home, and, even more so, abroad. The accountant's skill should be employed in producing correct costs and in advising management of the make-up of costs—prime costs, variable overheads and fixed overheads. The accountant could be consulted on when it paid to accept orders at something less than the full cost—a figure exceeding prime costs and variable overheads, so that some contribution was made towards fixed overheads; the accountant could also give the warning that if too many orders were accepted on this basis, the works could be filled with unprofitable orders, inevitably resulting in heavy losses.

These points were of even greater im-

portance in view of the effect of the Restrictive Practices Act, which was destroying price agreements and might lead in certain industries to disastrous price cutting. A company which persistently sold below total cost would not only ruin itself but could materially affect the prosperity of an entire industry.

In welcoming the guests, Mr. J. W. Richardson, the chairman, said that he was extremely pleased that his Society had such close links with the University of Sheffield, to which they were all indebted for its invaluable help.

In replying to the toast, Mr. A. Gurney Yates paid tribute to Mr. Richardson, whom he had known for many years.

South Eastern Society Dinner

THE SOUTH EASTERN Society of Chartered Accountants held a dinner at Southsea on February 17, which was attended by well over a hundred members and guests. The President, Mr. G. W. Davies, F.C.A., was in the chair.

Proposing the toast of The Institute of Chartered Accountants in England and Wales and the South Eastern Society, Mr. Geoffrey Stevens, M.P., F.C.A., who manages to combine active practice with his parliamentary duties as member for Portsmouth (Langstone), stressed the importance to democracy of enabling prospective Members of Parliament to retain their livelihood. The value of a part-time M.P. lay in his independence of his parliamentary salary; he had no temptation to follow the party line if his conscience opposed it. Moreover, the part-time member knew far more about the outside world than the full-time careerist.

Responding to the toast, Mr. C. Croxton-Smith, M.A., LL.B., J.P., F.C.A., a member of the Council of the Institute, laid emphasis on the need to attract graduates and the best school-leavers to the profession.

Industry, he said, must not be allowed to take its pick without students being aware of what accountancy had to offer.

The toast of the guests was proposed by Mr. G. W. Davies, F.C.A., and responded to by Mr. F. C. Rea, Clerk to the General Commissioners of Income Tax.

Examinations—May, 1961

DETAILS ARE GIVEN below of the May, 1961, examinations of the Institute and of The Society of Incorporated Accountants (in voluntary liquidation).

The prescribed examination entry form, together with the appropriate fee, must be received at the Institute not later than the last day stated below. Late entries cannot be accepted.

Candidates are advised in their own in-

terests to submit their entry forms as soon as possible. Entry forms for ALL examinations may be obtained from the Secretary of the Institute, Moorgate Place, London, E.C.2.

Institute Examinations

Preliminary .. May 16, 17, 18 and 19.
Intermediate .. May 23 (p.m.), 24, 25 and 26.
Final .. May 30 and 31, June 1 and 2.

LAST DAY FOR RECEIPT OF ENTRY FORMS:

Preliminary examination .. April 11
Intermediate examination .. April 18
Final examination .. April 25

The Preliminary examination will be held in London and Manchester. The entry fee is £5 5s. 0d.

The Final examination will be held in Birmingham, Cardiff, Leeds, Liverpool, London, Manchester and Newcastle upon Tyne. The Intermediate examination will be held at the above centres, Bristol and Nottingham. The entry fee for the Intermediate examination is £6 6s. 0d. and for the Final examination £8 8s. 0d.

Society Examinations

Final .. May 30 and 31, June 1 and 2.

The examination will be held in Birmingham, Belfast, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester and Newcastle upon Tyne. The fees are as follows:

Final, Part I (taken separately) £4 4s. 0d.
Final, Part II (taken separately) £4 4s. 0d.
Final, Parts I and II together £8 8s. 0d.

LAST DAY FOR RECEIPT OF ENTRY FORMS:

Candidates for membership of the English Institute, April 25.

(Candidates for membership of the Scottish Institute, March 20; for membership of the Irish Institute, April 4; on forms provided by the respective Institutes.)

District Society

BEDS., BUCKS. AND HERTS. BRANCH

THE THIRD ANNUAL conference of the Beds., Bucks and Herts. Branch of the London and District Society of Chartered Accountants was held in the Public Hall, Harpenden, on February 22, when some sixty members were present. The conference began with a short review of the activities of the Branch, given by the Chairman, Mr. J. B. Pinnock, F.C.A., and of the London and District Society by its Chairman, Mr. G. R. Appleyard, F.C.A.

Mr. Christopher I. Bostock, M.A., F.C.A., gave a paper on "Management Accounting—Fact or Fiction" which covered not only the historical development of management accounting but the information to be provided for the guidance of management and the attitude of mind of the management accountant. Money was a universal language, he said, and the accountant, by his training, was taught to consider always the two sides

of any problem and to present his answers in money language. In Mr. Bostock's opinion, it was essential for the accountant to be positive in his recommendations and to stake his reputation upon them. Management accounting was not a term applying to any one particular system, but included all kinds of figure information, whether in terms of money value or otherwise. It was concerned with the form and rightness of presentation, tailoring that form to the needs of the level of management to which it was presented.

The Association of English Chartered Accountants in Scotland

THE THIRD ANNUAL GENERAL meeting of the Association of English Chartered Accountants in Scotland was held in Edinburgh on February 25. Mr. M. G. Wittet, the Chairman, reported on the activities of the past year.

The following officers and Executive Committee were appointed to serve in 1961: Mr. A. Adamson, Mr. J. P. Butler, Mr. H. C. Clarke, Mr. C. F. Cross-Rudkin, Mr. N. H. Macdonald, Mr. W. H. Palmer, Mr. W. T. Turner, Miss D. M. Vaughan (Secretary), Mr. R. G. Wilkinson, Mr. M. G. Wittet (Chairman), Mr. K. E. Young.

Mr. W. T. Riddle was re-appointed Honorary Auditor.

Forthcoming Events

BEDFORD

Students' Meeting

April 15.—"Trust Law and Accounts," by Mr. R. J. Carter, B.COM., F.C.A., followed by annual general meeting. Swan Hotel, at 10.30 a.m.

BIRMINGHAM

Students' Meeting

March 28.—"Income Tax—Losses," by Mr. E. Cockson-Jones. The Library, 36 Cannon Street, at 6 p.m.

BOLTON

Members' Meetings

March 28.—Annual general meeting of Bolton Branch. Victoria Hotel, Hotel Street, at 6 p.m.

April 14.—"Some Current Schedule E Problems," by Mr. H. H. Monroe, Q.C. Committee Room A, Town Hall, at 6.15 p.m. This meeting is open also to articled clerks and senior staff.

BOURNEMOUTH

March 28.—"Consolidated Accounts," by Mr. R. Glynn Williams, F.C.A., F.T.I.L. Students' meeting. Grand Hotel, Fir Vale

Road, at 4.30 p.m., to be followed by the 20th annual general meeting.

BRADFORD

April 12.—"Profits Tax" and "Estate Duty Apportionments," by Mr. H. A. R. J. Wilson, F.C.A. Students' meeting. Midland Hotel, at 4.30 and 6.15 p.m.

BRISTOL

Students' Meetings

March 24.—"Consolidated Accounts," by Mr. K. S. Carmichael, A.C.A. For Final students. The University Geography Lecture Theatre, at 3 p.m.

April 7.—Annual general meeting. Room 28, University Main Building, at 4 p.m.

April 14.—"Capital Allowances," by Mr. H. A. R. J. Wilson, F.C.A. For Intermediate and Final students. The University Geography Lecture Theatre, at 3 p.m.

April 21.—"Insurance," by Mr. W. W. Hill. For Intermediate and Final students. Room 28, University Main Building, at 3.50 p.m.

CAMBRIDGE

Members' Function

March 24.—Annual Dinner of East Anglian Society. University Arms Hotel, at 7 for 7.30 p.m.

CHELMSFORD

Students' Meeting

March 23.—Visit to Shell Haven Refinery.

COLCHESTER

April 4.—Students' Quiz. The Public Library, at 7.30 p.m.

COVENTRY

Students' Meetings

Meetings will be held at the "Golden Cross," Hay Lane, at 6 p.m.

March 20.—"Estate Duty Problems for Students," by Mr. K. S. Carmichael, A.C.A.

April 17.—"Economic Effects of the Budget," by Mr. A. R. Ilesic, B.COM.

DERBY

Members' Function

April 12.—Dinner—Dance. The Coppice Hotel, Littleover.

DURHAM

April 14–17.—Residential course for members of the Cumberland, North Yorkshire and South Durham, and Northern Students' Societies. University College, Durham Castle.

EASTBOURNE

Students' Meetings

To be held at the Civil Defence Hall, Furness Road, at 10.30 a.m.

March 28.—"Partnership Accounts, including the Valuation of Goodwill," by Mr. H. A. Astbury, F.C.A.

April 8.—"Insurance," by Mr. F. R. Collings, A.C.I.L., assisted by Mr. W. H. F. Rix.

April 22.—"Local Authority Accounting," by Mr. J. H. Bowker, F.C.A.

GRIMSBY**Members' Meeting**

April 17.—Luncheon meeting. Royal Hotel, at 1 p.m.

Students' Meetings and Function

March 23.—"Schedule D Allowable and Disallowable Expenditure, Personal Reliefs and Claims and Partnership Assessments," by Mr. V. S. Hockley, B.COM., C.A. Offices of the Chamber of Commerce, 77 Victoria Street, at 4 p.m. and 7.30 p.m.

March 27.—Annual general meeting of North Lincolnshire Students. The offices of Messrs. Forrester, Boyd & Co., South St. Mary's Gate, at 7.30 p.m.

April 20.—Annual dinner. Royal Hotel, at 7.30 for 8 p.m.

HASTINGS**Students' Meetings**

To be held at the Yelton Hotel, White Rock.

March 25.—"The Auditor's Duty in Relation to Stock and Work in Progress," by Mr. H. A. Kinney, F.C.A. At 10.15 a.m.

April 13.—Visit to Charrington's Breweries.

April 22.—"Partnership Accounts including the Valuation of Goodwill," by Mr. H. A. Asterbury, F.C.A. At 10.15 a.m.

HULL**Students' Meetings**

All meetings will be held at the Imperial Hotel, Paragon Street.

March 24.—Crumpton Prize Competition and Quiz: Hull v. The Rest. At 6.15 p.m.

April 6.—"Taxation," by Mr. K. S. Carmichael, A.C.A. For Intermediate students at 4 p.m. For Final students at 6.15 p.m.

April 14.—"Auditing Techniques," by Mr. H. G. Sergeant, F.C.A. At 6.15 p.m.

ILFORD

April 7.—"Mercantile Law—Sale of Goods Act, 1893," by Mr. Spencer G. Morris, Barrister-at-Law. Students' meeting. The Reading Room, Conservative Club, 42 High Road, at 6 p.m.

IPSWICH**Students' Meetings**

April 5.—"Capital Allowances," by Mr. A. J. Turner, A.C.A., and "Company Accounts," by Mr. V. S. Hockley, B.COM., C.A. For Intermediate students. Crown and Anchor Hotel, at 11 a.m. and 2.30 p.m.

April 5.—"Internal and External Finance," by Mr. V. S. Hockley, B.COM., C.A., and "Schedules D and E (including Residence)," by Mr. A. J. Turner, A.C.A. For Final students. Crown and Anchor Hotel, at 11 a.m. and 2.30 p.m.

LEEDS**Members' Meeting**

March 22.—Luncheon meeting. Great Northern Hotel, at 12.45 p.m.

Students' Meetings

To be held at the Leeds Conservative Club, South Parade.

March 22.—"Auditing Problems" and "Incomplete Records," by Mr. V. S.

Hockley, B.COM., C.A. At 4.30 p.m. and 6 p.m.

March 29.—Annual general meeting of Leeds and District Students. At 5 p.m.

March 29.—"Company Law," by Mr. J. F. Myers, M.A., LL.B., Barrister-at-Law. At 6 p.m.

April 5.—"Schedule D—Partnership Accounts" and "Standard Costing," by Mr. K. S. Carmichael, A.C.A. At 4.30 p.m. and 6 p.m.

April 10.—"The Functions and Form of the Balance Sheet," by Mr. V. Walton, F.C.A. At 4.30 p.m. For first year students. Followed by Pot Pie Supper at 6 p.m.

LEICESTER

March 24.—"Functions of a Provincial Broker," by Mr. D. Spriggs. Students' meeting. The Saracen's Head, Hotel Street, at 6 p.m.

LINCOLN**Students' Meeting**

April 13.—"Share Valuations and Takeover Bids," by Mr. C. R. Curtis, M.SC. (ECON.), PH.D., F.C.I.S. Great Northern Hotel, High Street, at 5.45 p.m.

LIVERPOOL

March 23.—"Law Court Procedure," by Mr. M. O'Donoghue, LL.M., Barrister-at-Law. Students' meeting.

LONDON**Members' Meetings**

March 22.—Meeting of Management Discussion Group. Ward's Irish House. Storey's Gate, Westminster, S.W.1, at 6 p.m.

April 5.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 for 6.15 p.m.

April 10.—Meeting of the South-West London Discussion Group. The Kingston Hotel, Wood Street, Kingston-upon-Thames, at 6.45 p.m.

April 12.—Meeting of City Discussion Group. The Tiger Tavern, 1 Tower Hill, London, E.C.3, at 6 for 6.30 p.m.

April 19.—Meeting of North London Discussion Group. Russell Hotel, Russell Square, W.C.1, at 6.30 p.m.

Students' Meetings

March 20.—"The History of Accountancy," by Professor B. S. Yamey, B.COM. Institute of Chartered Accountants in England and Wales, Moorgate Place, E.C.2, at 5.30 p.m.

March 21.—Speakers' Course Invitation Debate with The Taverners. "Man's pursuit of pleasure is his mainspring in life." Moorgate Place, E.C.2, at 6 p.m.

March 21.—Visit to Ford's Motor Works (limited number).

March 23.—"Taxable Income," by Mr. J. Kennedy Melling, F.C.A., and "The Law of Sale of Goods," by Mr. W. W. Norris. Introductory Course lectures. Moorgate Place, E.C.2, at 5.15 p.m.

March 28.—Whole Day Course. Lectures on "Clear, Concise and Complete Reports," by Mr. R. S. Waldron, F.C.A., and "Some Cru-

cial Tax Cases," by Mr. A. J. Turner, A.C.A., A.T.I.I. Moorgate Place, E.C.2.

March 28.—Mock meeting. "Meetings in the Liquidation of a Company." Chartered Insurance Hall, 20 Aldermanbury, E.C.2, at 5.30 p.m.

March 29.—Speakers' Course Debate. "This House will emigrate after qualifying." Moorgate Place, E.C.2, at 6 p.m.

April 4.—Visit to the Royal Mint (limited number).

April 6-9.—Weekend residential course. Corpus Christi and Emmanuel Colleges, Cambridge.

April 11.—Lecture and demonstration of Burroughs Accounting Machines (limited number).

April 17.—Practical Aspect Course.

April 18.—Practical Aspect Course.

April 19.—Lecture and demonstration of Underwood Accounting Machines (limited number).

April 19.—Practical Aspect Course.

April 20.—Practical Aspect Course.

LUTON

March 21.—"Office Organisation and Control." By Mr. C. R. Curtis, PH.D., M.SC.(ECON.), F.C.I.S. Students' meeting. Luton and S. Beds. College (Room 233), at 6.15 p.m.

MANCHESTER**Members' Meeting**

March 29.—"A Critical Examination of Some Existing Accounting Practices," by Mr. V. R. Anderson, A.C.A. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

Students' Meeting

March 23.—Mock annual general meeting of a limited company. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

MIDDLESBROUGH**Students' Meeting**

Other meetings of the North Yorkshire and South Durham Students' Society are shown under Thornaby-on-Tees and Durham.

March 28.—"Work Study and Cost Control," by Mr. J. Harvey-Jones. Hinton's Café, at 6.15 p.m.

NORTHAMPTON

March 23.—"Executorship Accounts," by Mr. R. J. Carter, B.COM., F.C.A. Students' meeting. Plough Hotel, at 5.45 p.m.

NOTTINGHAM

April 20.—"Takeover Bids," by Mr. D. A. Clarke. Members' luncheon meeting. Welbeck Hotel, at 12.30 for 1 p.m.

Students' Meetings

To be held in the Ballroom of the Elite Cinema, Parliament Street.

March 22.—"Partnership Law" and "Law of Tort," by Mr. B. L. Charles, Barrister-at-Law. At 4 p.m.

March 29.—"Liquidations (I) and (II)," by Mr. G. H. Hingston, Barrister-at-Law. At 4 p.m.

April 5.—Newly Articled Clerks' tea. At 5.30 p.m.

April 12.—"Sale of Goods Act" and "What is a Valid Will?" by Mr. P. R. H. Webb, LL.B., Solicitor. At 4 p.m.

PLYMOUTH Members' Meeting

April 20.—Annual general meeting of Cornwall and Plymouth Branch. Duke of Cornwall Hotel.

PORTSMOUTH

March 28.—"Auditor of a Limited Company," by Mr. C. R. Curtis, M.Sc.(ECON.), PH.D., F.C.I.S. Students' meeting.

PRESTON

The following lectures, to be held at the Reform Club, Chapel Street, at 10 and 11.15 a.m., have been arranged by the Manchester Joint Tuition Committee:

Final lectures (lecturer: Mr. G. J. Netherclift, F.C.A.) on April 8.

READING

Students' Meetings

To be held at the Great Western Hotel, Station Road, at 7.15 p.m.

April 5.—"Systems and Mechanised Accounting," by Mr. L. W. Shaw, B.Sc., F.C.A.

April 20.—Annual general meeting, followed by "History of the Students' Union and Society," by Mr. R. J. Carter, B.COM., F.C.A.

ROTHERHAM

March 23.—Members' luncheon. Crown Hotel, at 12.30 for 1 p.m.

RYDE, I.O.W.

March 21.—"Company Assessments," by Mr. H. A. R. J. Wilson, F.C.A. Students' meeting. Royal York Hotel, at 5.30 p.m.

ST. HELENS

March 24.—Annual general meeting of South Lancashire Branch, The Fleece Hotel, at 6.25 p.m., to be followed by annual dinner at 7.30 p.m.

SHEFFIELD

April 16.—Annual service for members of professional Institutes and Societies. The Cathedral, at 3 p.m.

Students' Meetings

March 21.—Soccer Match v. Northern Students. At Sheffield.

March 30.—"Management Accountancy," by Mr. R. Peddie, B.A., C.A. St. James's Club, St. James's Row, Church Street, at 5.30 p.m.

SOUTHAMPTON

Students' Meetings

March 30.—"Tax Losses and Partnership Assessments," by Mr. B. Rose, F.C.A. Polygon Hotel, at 6.30 p.m.

April 14.—"Sale of Goods and Contract Law," by Mr. David McCarraher, M.A. Polygon Hotel, at 3.30 p.m.

STOKE-ON-TRENT

Students' Meetings

March 21.—"Budgetary Control and Standard Costing," by Mr. C. J. Mason, F.C.A.

April 11.—"Punched Card Accounting" (including film), by a representative of I.C.T.

SUNDERLAND

April 13.—"Formation of a Limited Company," by Mr. T. H. Ogle. Students' meeting. West Park College of Further Education, at 6.15 p.m.

THORNABY-ON-TEES

March 21.—Students' debate with students of the Institute of Municipal Treasurers and Accountants. Subject: "Fings Ain't Wot They Used T'Be." Electricity Sub-Area Headquarters, at 6.15 p.m.

WOLVERHAMPTON

March 27.—Annual general meeting of Wolverhampton Branch. Victoria Hotel, at 5.30 p.m.

Students' Meeting

April 14.—"Executorship," by Mr. B. W. Sutherland, F.C.A. The Rendezvous Restaurant, Berry Street, at 6 p.m.

YORK

April 19.—Members' luncheon meeting. De Grey Rooms, at 1 p.m.

Personal Notes

Messrs. W. H. Walker & Co., Chartered Accountants, Liverpool, Douglas and London, announce that following the death of their senior partner, Mr. A. D. Walker, the practice is being carried on by the surviving partners under the same name and at the same addresses.

Messrs. Harmood Banner, Lewis & Mounsey, Chartered Accountants, announce that they have opened an office in Lagos, Nigeria, with Mr. R. Gethin-Jones, A.C.A., as resident manager. They have also acquired the Lagos practice of Messrs. Leach, Johnson, Travis & Co., Chartered Accountants, which continues under the name of Banner, Mounsey & Co. (Private Mail Bag 2191) with the following partners: Mr. R. Gethin-Jones, A.C.A., Mr. C. G. Brown, F.C.A., Mr. H. T. Nicholson, F.C.A., and Mr. J. M. Harrison, F.C.A.

Messrs. Barton, Mayhew & Co. announce the opening of a branch office in Mozambique. The manager is Mr. Ralph Vaz, and the address is Caixa Postal 1992, Avenida de Antonio Enes 15, Lourenço Marques.

Messrs. Gray, Stainforth & Co., Chartered Accountants, London, W.1, announce that Mr. G. D. Thomas, A.C.A., has been admitted into partnership.

Mr. S. F. Cox, F.C.A., has been appointed chief accountant of British Railways, Eastern Region.

Mr. A. Webb, F.C.A., has been appointed district manager of the Gloucester district of British Road Services.

Messrs. David Smith, Garnett & Co., Messrs. Wade & Co., and Messrs. Jones, Crewdson & Youatt, Manchester, will amalgamate their practices as from April 1. The eleven partners of the present firms will continue in the new firm, which will practise under the name of Garnett, Crewdson & Co. Mr. R. S. Boddington, M.A., A.C.A., who served his articles with Jones, Crewdson & Youatt, will be admitted as a partner of Garnett, Crewdson & Co. Pending removal during the summer to new offices, the practice will be carried on from both existing addresses.

Messrs. J. B. Garside & Son, Chartered Accountants, Douglas, Isle of Man, announce that Mr. S. J. Earnshaw, A.C.A., who has been a member of the staff for many years, has been admitted as a partner. The name of the firm remains unchanged.

Mr. A. F. Thomas, F.C.A., has been appointed an assistant managing director of the Delta Metal Co. Ltd.

Mr. E. F. Coppock, F.C.A., has been appointed group financial controller to Metal Industries Ltd.

Removals

Cooper Brothers & Co. and Coopers & Lybrand announce that the address of their Manchester office is now Barnett House, 53 Fountain Street, Manchester 2.

Messrs. Pannell, Crewdson & Hardy, Chartered Accountants, announce that the address of their Lagos office is now Bentworth House, 18 Tinubu Street, Private Mail Bag 2047, Lagos, Nigeria, and that the address of their Freetown office is now 14 Oxford Street, P.O. Box 575, Freetown, Sierra Leone.

Obituary

Samuel Twentyman Coulson

WE RECORD WITH regret that Mr. S. T. Coulson, F.C.A., died on January 27—his ninety-fourth birthday. Mr. Coulson was the second oldest member of the Institute, and at the time of integration he was the oldest member of the Society of Incorporated Accountants. A Professional Note on his career, with a photograph, appeared in ACCOUNTANCY for May, 1957 (page 200). At that time, at the age of ninety, he was still carrying on the practice that he established at West Hartlepool in 1900, when he qualified as a member of the Society.

Mr. Coulson formerly held a number of directorships, and had been chairman of North Brancepeth Coal Co. Ltd., and of Richardsons, Westgarth & Co. Ltd.

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Director of Group Personnel Services, The English Electric Company Limited, English Electric House, Strand, London W.C.2. Please give full details of career to date and quote reference AC 397X.

MANAGEMENT ACCOUNTING

COOPER BROTHERS & CO. have further vacancies for qualified accountants interested in developing and installing procedures for providing management with planning and control information. This satisfying work combines excellent experience with first class prospects and attractive salaries. Opportunities for overseas assignments arise for those who want them.

Every effort is made to allocate work on a regional basis but where this is not practicable suitable local family accommodation and fares home at weekends are provided.

Essential qualifications are sound educational background, agreeable personality, a genuine interest in management problems and several years of good industrial experience. Age 28-35.

Applications (which will be treated in the strictest confidence) should contain full details of age, education, qualifications and positions held with dates and salaries and should be sent quoting reference MS7 to the Staff Manager,

Cooper Brothers & Co.,

Abacus House, 33 Gutter Lane, London, E.C.2.

CHARTERED ACCOUNTANT required (preferably recently qualified) to fill a vacancy offering responsibility, varied experience and prospects of advancement. Commencing salary in the region of £1,000 per annum. Write stating age, experience and qualifications to Box B740, c/o WALTER JUDD LTD., 47 Gresham Street, London, E.C.2.

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Applications in writing please to the GROUP PERSONNEL MANAGER, Station Street, Burton-on-Trent.

LARGE BRISTOL FIRM of Chartered Accountants has vacancy for Senior Clerk. Excellent opportunity for newly qualified man to obtain wide professional experience. Good prospects. Box No. 33, c/o ACCOUNTANCY.

DELOITTE, PLENDER, GRIFFITHS & CO.,

5 London Wall Buildings, London, E.C.2, have vacancies on their audit staff for young qualified accountants. Opportunities to transfer abroad in due course, 5-day week, luncheon vouchers and pension scheme.

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PEAT, MARWICK, MITCHELL & CO., 11 Ironmonger Lane, London, E.C.2, have vacancies in their London office for young Chartered Accountants who wish to widen their experience in all branches of accountancy. Excellent prospects, good starting salary, pension scheme. Opportunities for service overseas. Applications to 11 Ironmonger Lane, E.C.2.

PEAT, MARWICK, MITCHELL & CO., LEEDS, have vacancies for young chartered accountants, newly-qualified or with two or three years' professional experience. This offers a good opportunity for obtaining wide professional experience in the provinces with a good salary and a pension scheme and with excellent prospects for advancement either at home or overseas. Applications to 2 Park Place, Leeds 1.

QUALIFIED Accountant or Secretary to assist Managing Director at the London Head Office of a group of Companies in the Agricultural Feeding-stuffs and Fertiliser Trade. Will be required to maintain the Head Office accounting records and to incorporate returns and accounts from subsidiary concerns. Will also be responsible for the major part of the routine Company Secretarial work. Should be prepared to pay occasional visits to the North of England and Scotland. Age between 25 and 35. Salary not less than £1,000 per year. Contributory Pension Scheme. Box No. 29, c/o ACCOUNTANCY.

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wish to appoint**A CHARTERED ACCOUNTANT**

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Candidates must be conversant with current methods of costing, forecasting, consolidation, etc., though it is recognised that younger candidates will possess limited experience in such matters.

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Applications should be made in writing and addressed to The Accountant (marked "Personal"), RECKITT & SONS LIMITED, Dansom Lane, Hull.

SEMI-SENIOR Clerk (first class) required by South London firm with good practice. Excellent prospects. Salary according to ability and experience. Box No. 24, c/o ACCOUNTANCY.

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SENIOR. Chartered Accountant required by City firm. Excellent prospects for newly-qualified man desiring to widen experience. Salary £850 to £1,100. Pension scheme. Box No. 31, c/o ACCOUNTANCY.

SOUTHERN AFRICA. Deloitte, Plender, Griffiths, Annan & Co. have vacancies for recently-qualified Chartered Accountants in their Johannesburg, Salisbury and Bulawayo offices. Contracts, which are renewable, are for an initial period of three years and cover the payment of passages to Africa and home on completion of the contract. The appointments carry good salaries with generous leave conditions and allowances. Write with details of qualifications and experience to DELOITTE, PLENDER, GRIFFITHS & Co., 5 London Wall Buildings, London, E.C.2.

TAXATION. An Assistant is required in the Tax Department of an Oxford firm of Chartered Accountants. Experience in all aspects of Income Tax and Surtax would be required for this responsible and progressive position. Salary according to experience. Apply, stating age, experience and salary required, to CRITCHLEY, WARD & PIGOTT, Boswell House, 1-5 Broad Street, Oxford.

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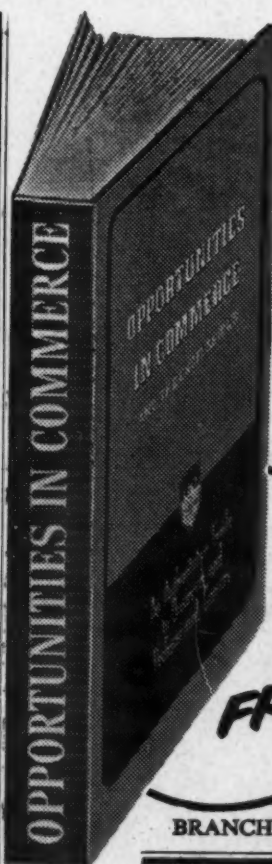
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